

September

1921

THE
NATION'S
BUSINESS

Disarmament
by
Senator Borah





Low-Cost Buildings —Flexible to Future Needs

Today manufacturers are economically securing one-story space by erecting "permanent yet portable" Hydraulic Steel Buildings. These buildings efficiently meet present needs, and, "as business comes back," allow of ready enlargement or change at minimum cost.

The Gardner Wire Company of Chicago wanted a building for Japanning ovens—a fireproof and weather-tight structure that could be readily enlarged. They bought a Hydraulic Steel Building which meets their needs perfectly. They erected it in two and one-half days. They can quickly lengthen it or change it.

Hydraulic Steel Buildings come in widths up to 120 feet (clear spans up to 60 feet)—any lengths in multiples of 2½ feet. From "little to big" they are economically serving industry. Among the scores of users are:

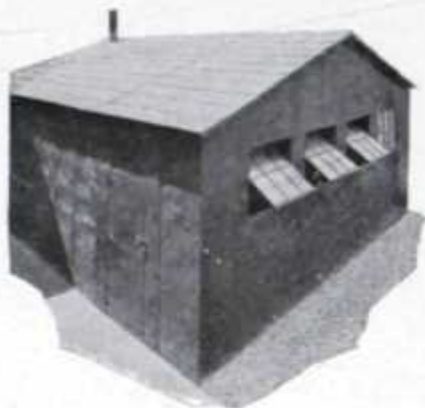
Atlantic & Pacific Tea Co.	-	Brockport, N. Y.
B. F. Avery & Son	-	Louisville, Ky.
Bay Oil Company	-	Sandusky, Ohio
Muncie Gear Works	-	Muncie, Indiana
Philippi Blanket Mills	-	Philippi, W. Va.
Standard Oil Company	-	Cleveland, Ohio

We would appreciate the opportunity of pointing out how Hydraulic Steel Buildings may economically take care of your present needs and allow for ready expansion and adjustment as your business grows.

THE HYDRAULIC STEELCRAFT COMPANY
of THE HYDRAULIC STEEL COMPANY
CLEVELAND, OHIO

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Atlanta Rhodes Building	Richmond, Va. American National Bank Building	St. Louis Commercial Building
Indianapolis Public Savings Building	Memphis 79 West Colorado Ave.	Philadelphia Land Title Building
New Orleans Where Howard Meets Constance	Dallas 1806 Main Street	Cincinnati 206 West Court St.
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Hydraulic Steel Building for
The Gardner Wire Company,
Chicago, 25 feet long, 25 feet
wide and 10 feet high.



Hydraulic Steel Building for
The Sinclair Oil Refining Com-
pany, Chicago, 160 feet long,
40 feet wide and 20 feet high.



HYDRAULIC STEEL BUILDINGS

Standardized

Speeding up Turn-over

One remedy for narrowed profit margins lies in quicker turn-over. Realizing this, executives in nearly every line of business are working out new delivery schedules—both to hasten movement of stock and to satisfy the demands of customers.

Too often the time thus saved is lost again in distant freight houses or terminal yards, because shippers lack an effective means of following and facilitating the processes of delivery and collection.

Such a means the Irving's Bill-of-Lading service provides. Shipments delayed for any reason are traced and expedited. Consignees are notified of arrivals. Drafts are presented by messenger every day in every corner of Manhattan. Out-of-town collections are made by banking correspondents on the spot. Time-saving in all banking operations is the Irving's contribution to your money-saving program.

IRVING NATIONAL BANK

WOOLWORTH BUILDING, NEW YORK



1851-1921- SEVENTY YEARS A BUSINESS BANK

ST. LOUIS, SEAPORT



ST. LOUIS has all of the advantages of a seaport, with a down-stream haul on the Mississippi River and out through the Gulf of Mexico. It also is the center of the country's inland shipping activities. Goods loaded into a box car at a plant in St. Louis for river shipment is delivered to any port at water rates. This offers a tremendous opportunity for Cuban, Pan-American and International trade.

St. Louis manufacturers ship on one bill of lading to the ports of the world via U. S. Government river service at 20% under rail rates. They also ship to two-thirds of the United States with a shorter freight haul than any other big industrial center.

Efficient transportation facilities and economical freight charges from St. Louis *the center—instead of from the edge of things*—are big factors in reducing selling prices.

St. Louis' \$1,000,000 municipal docks and warehouses are being extended as needed to meet all traffic requirements. Shipments of heavy, bulky commodities can be transported economically and promptly by water from St. Louis to domestic and foreign ports.

Send today for our booklet, "St. Louis as a Manufacturing Center."

General Secretary **St. Louis Chamber of Commerce** St. Louis, U. S. A.

Through the Editor's Spectacles

NOT LONG since there came into this office one of those patent touch-the-button plans for relieving industrial depression. Its simplicity was engaging: Let everyone spend, during a certain week, twenty dollars over and above what would be spent normally. Thus there would be injected into the channels of trade the immense stimulus of billions and business would jump straightway into its old prosperity stride!

It occurred to us that this artificial virus might stimulate prices to higher levels and act as an automatic brake on buying—supposing, of course, that the plan could be put into operation. But we thought we'd make sure, so we asked George E. Roberts, of the National City Bank, what he thought of it. And he told us:

It is a favorite dream under existing conditions that by simply passing the word around the wheels of business can be started. It never materializes. Business will start up gradually as readjustments, which are necessary, are accomplished. I have been writing laboriously for nearly a year to show that industry was out of balance, the entire wage level in manufacturing industries and in transportation being too high in comparison with the prices of raw materials and all agricultural products. We are not going to have good times until all the industries are back on approximately the same level of value.

The pamphlet which contained the plan carried over it the heading, "Resumption Work: A Dream." Mr. Roberts said he thought it appropriately headed.

DEFENDERS and detractors of the horse continue to offer their emphatic opinions as a consequence of recent letters quoted in these columns. Thomas H. Gordner's letter, to which reference was made in our August number, has drawn from Wayne Dinsmore, secretary of the Saddle Horse Association of America, the assertion that Mr. Gordner is influenced by unfavorable conditions in his own community, and does not regard the situation as a whole. He sends with his letter a newspaper report of a speech to be made to the Junior Chamber of Commerce in Kansas City, in which he said:

The farmers in eight States, Nebraska, Colorado, New Mexico, Texas, Oklahoma, Kansas, Missouri, and Arkansas, sold in 1920 at least one horse for every fifty animals owned on farms; and at an average price of \$100 per head, which is an extremely low figure for horses and mules sold from farms in 1920, the sales of surplus animals brought into this territory \$16,383,200, deposited to the credit of farmers who had such surplus animal motive power units for sale.

Mr. Dinsmore asserts that in a recent trip through Canada he found the horse commonly in use in plowing and for other farm purposes, even though tractors stood idle. As an answer to him, there comes to our desk material from the American Paper and Pulp Association, intended to show that motor vehicles cut lumber woods costs. Many examples are given, of which the following may be accepted as typical:

Stanley H. Sisson, of the Racquette River Paper Company, operating in northern New York, told of hauling 23,000 cords of 16-foot peeled wood 10 to 12 miles, an average of 6½ cords per day per tractor, handling 15,000 cords in 38 days. His comparison with horse

equipment was as follows: One team hauling 9 cords per trip, double headers at landings, costing \$15.50 per day, or \$1.72 per cord. The tractor cost, on a basis of 60 cords, with two trips daily to landings, was \$43.06 per day, or \$.717 per cord. He, like the other woods superintendents, said that care in repairs and maintenance of tractors was vital to their successful operation.

We confess to a sentimental sympathy with the horse in this controversy. But we are open to the facts.

OUR THEORY that advertising has new value is justified so frequently that we hesitate to make mention of it for fear of rubbing it in; but word which has just come to us from the Fort Wayne, Ind., Ad Club deserves more than casual notice, because it does more than bolster a theory—it brings home a little lesson to the pessimist about business conditions.

In our June number a page advertisement appeared, headed "Vision vs. Indecision." It was written by A. H. Richie for the Mathews

Gravity Carrier Company, of Ellwood City, Pa., and it dealt mainly with economic conditions. As a result the Fort Wayne Ad Club asked Mr. Richie to repeat in person and expand the message he had put into that page. What he said there you can see for yourself. But he said some other good things, such as: Those who are predicting a panic this fall, with six per cent rates, when none came while rates were at eight per cent, are about as logical as those who expect a boiler to explode at sixty pounds pressure when it has successfully withstood eighty pounds; and the difference between economic and mental conditions now and eighteen months ago is that economic conditions have gone steadily forward toward prosperity, while mental conditions have gone as steadily in the other direction.

ALTHOUGH the war has so upset conditions that theories about cycles of prosperity have gone for the most part by the board, A. J. Sturznegger, of South Bend, Nebr., is still thinking about them; and he

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Cover Drawing by Joseph Pennell

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As the official magazine of the National Chamber, this publication carries authoritative notices and articles in regard to the activities of the Chamber. But in all other respects, the Chamber is not responsible for the contents of the article or for the opinion to which expression is given.



Completed Buildings vs. Materials

From a standpoint of economy, if for no other reason, in which would you prefer to have your capital invested: in materials which have practically no salvage value when nailed together, or building units which are completely salvageable and have a high re-sale value? This is the question to consider when you are confronted with the problem of supplying buildings of any type. Buildings erected with "Circle A" Interchangeable Units can be dismantled, moved to a new location and again erected without loss and with very little expense. Units purchased for the construction of a shop can be erected into practically any other type of building you may require. In short, the use of "Circle A" Units is limited only by your building requirements.

Such universal elasticity of use, with 100 per cent salvageability, is not possible in any other building system. And, because of this feature of elasticity, the "Circle A" method enables you to provide for a growing business and create more space by the simple addition of more units. In this way a pleasing, uniform appearance of standardized equipment is insured and the make-shift of other methods eliminated.

"Circle A" Units are factory built to the last detail—finished both inside and out—from extra high quality materials to give at least 20 years service. That you may become acquainted with "Circle A" perfection in portable structures write for our booklet "Industrial Buildings."

The ALEXANDER LUMBER COMPANY

Unit Building Division "G"
CHAMPAIGN, ILLINOIS

CHICAGO-NEW YORK-FORT WORTH-CLEVELAND
DETROIT-St. LOUIS-PITTSBURGH-CINCINNATI
INDIANAPOLIS-DENVER-TULSA-TAMPAIC

Ⓐ "CIRCLE-A" Ⓐ
INTERCHANGEABLE UNIT BUILDINGS

has appealed, in a letter to this magazine, for information as to the status quo. He would like, he writes, to get a general idea of what our position is in the present cycle, and he propounds the following agenda for the discussion:

1. A commercial panic happened in 1893; did one happen in 1913?
2. Which of the following periods do you regard that we are now in, and how far advanced in that period?
3. What was the general effect of the war on these periods?
- I. Commercial panic 1893—On 20-year cycle basis, one due again in 1913.
- II. Depression following commercial panic—3 years, 1893-1896 and 1913-1916.
- III. Beginning of the 20-year cycle—Improving times 3 years after, 1896 and 1916.
- IV. Labor better employed and prices rising—4 years after commercial panic, 1897 and 1917.
- V. Good times—5 years after commercial panic, 1898 and 1919.
- VI. Public demand for stocks—6 years after commercial panic, 1899 and 1919.
- VII. Era of stock speculation to securities panic—6 to 10 years after commercial panic, 1899-1903 and 1919-1923.
- VIII. Later securities panic to excessive prosperity—10 to 12 years after commercial panic, 1903-1909, 1906, and 1923-1926.
- IX. Excessive prosperity to waning stock boom—12 to 13 years after commercial panic, 1905 and 1906 and 1925-1926.
- X. Later part of boom period—13 years after commercial panic, 1906 and 1926.
- XI. Stock boom ends, business now effected—14 to 16 years after commercial panic, 1907-1909 and 1927-1929.
- XII. Declining business—1892 and 1912.
- XIII. Commercial panic—Cycle starting over again.

We give it up; but if our readers are better equipped for vaticination, we suggest that they communicate with Mr. Sturznecker.

CLYDE JENNINGS, managing editor of *Automotive Industries*, closely scrutinizing the photograph illustrating Lewis E. Pierson's article on foreign trade in our July number, noted that some big boxes of American exports lying unclaimed on the Buenos Aires docks were lettered with the word "Buick." And he wrote that this was "a particularly unfortunate selection of a photograph," because "Buick cars have not been in a bad way in Buenos Aires in any time."

The photograph was selected, of course, not because it showed Buick cars, among many other American commodities, but because it forcibly illustrated one of Mr. Pierson's points about foreign trade. Mr. Jennings supports his statement about the Buicks by a letter which he had printed in his magazine from Willard T. Clark, in Buenos Aires, in which Mr. Clark said that during the season just closing the sale of automobiles had fallen off about two-thirds, and added:

The Association of Automobile Importers in Buenos Aires sent some of their own employees to the Custom House to take count of all the cars and trucks deposited there and they give the total as 2,003. This count was taken on March 25. This is not a large stock for normal times, but under present conditions it is excessive and will undoubtedly take a great many months to liquidate. We, fortunately, were foresighted enough last September to alter our orders to bring them more in line with the anticipated demands, and, as the General Motors Export Co., understanding perfectly the existing conditions here, cooperated with us in a very whole-hearted manner and relieved

Completeness



"The Mark of Quality"

THERE can be no surer way to suggest permanence or to assure favorable attention than by case-bound books. The covers may contain a booklet or a catalog but their appearance demands preservation, with an added regard for your product carrying stability as its keynote. Dignity must speak clearly from cover to cover.

THE MATTHEWS- NORTHROP WORKS

PLANNERS
DESIGNERS
ENGRAVERS
PRINTERS
BINDERS

BUFFALO
NEW YORK
CLEVELAND

us of the possibility of having an excessive amount of cars shipped to us, our position, therefore, at the present time is very comfortable in this respect.

SENATOR SMOOT, who contributes an article on taxes in this number, has been the most active member of the upper House in behalf of a general sales tax, has had varied experience as a banker, corporation director and in investment enterprises. He has considered five sales tax bills, and introduced one embodying the plan described in his article in this number; but he said, in discussing it, that he thought this form of levy, which he regards as certain to come in some form, might make its appearance first as a tax solely on manufacturers.

IT IS NOT EASY for a monthly magazine to be timely, but **THE NATION'S BUSINESS** tries to keep abreast of the current. Tested by correspondence, the article in the July number by Franklin K. Nebeker on "Trade Associations and the Law" scored on that point. We told the secretaries of trade associations that we had such an article planned and we got a chorus of answers:

"Shoot it along. We want to know all we can on that line."

That was preliminary and went only to show that the subject was alive. But the post-publication results have been effective. Already we have had orders for more than a thousand reprints and requests for at least 200 extra copies of the magazine. And they are still coming.

One association secretary wrote:

We are anxious for each member of our association to read this article and have canvassed our membership asking if there were any members who did not subscribe to **THE NATION'S BUSINESS** to advise us and we would have this particular copy sent to them.

There were letters like that but here is one that just dropped in:

We have just read the article on "Trade Associations and the Law" by Frank K. Nebeker in your July number and wish you would send us fifteen copies if you have them to spare. We would send the money if we knew the price per copy, but the article referred to is the only part of the July number we have. It was sent to us by a friend and if your publication is anything we can use we will send a subscription for it.

WE STEPPED into a barber shop the other day to have our hair edited. A naval officer—friend of ours—was just getting out of the first chair. While the porter was brushing him off expectantly our friend observed that he was leaving soon for England.

The barber that had begun to snip at our hair, entered the conversation here. Ten years ago we would have advised against taking any wooden nickels on the trip. But this barber was keeping abreast of the times, so he said:

"Don't fly back."

My friend the navy man laughed.

"Well," said he, "it happens that I am going to fly back." And he explained that he was crossing over to come home aboard the big dirigible that has been built in England for the American Navy.

A dip in the hair at the back of our head still bears evidence of the barber's surprise. And as he went on with his work in a rather subdued fashion, we mused over the fact that in spite of exchange rates, improper housing, deflation and all, progress seems to keep right along progressing.

M.T.

"Press It from Steel Instead"



Cast Steel Pintle Housing
Weight 18 lbs.



Pressed Steel Pintle Housing
Weight 10 lbs. 12 oz.



War Necessity Teaches Peace Time Thrift

A PINTLE-HOUSING is simply a protective covering over the coiled spring that is part of the hitch equipment used on every artillery tractor. The first pintle housings on artillery tractors were cast from steel—a slow, expensive process that produced a costly part.

Then came the war command "Faster production" and the tractor manufacturer turned to us for help in obtaining a pintle-housing that could be produced faster and cheaper. Our engineering department studied the problem and designed the pressed steel pintle housing pictured above—a housing which weighed only 10 pounds 12 ounces as compared with the 18 pound weight of the cast housing. The

rate of production was faster and the cost much less.

What This Means to You

Doubtless you don't use pintle housings. But perhaps you do use cast parts that might be replaced with lighter, less expensive pressed steel parts. If you are using cast parts in any of your equipment, send a blue-print—better still, a sample of a casting—to our engineering department and we will tell you whether it can be "pressed from steel instead." At the same time, we will give you cost figures of the pressed parts that will show you how the necessities of war production can be applied to peace-time thrift.

YOUNGSTOWN PRODUCTS FOR MANUFACTURER & BUILDER

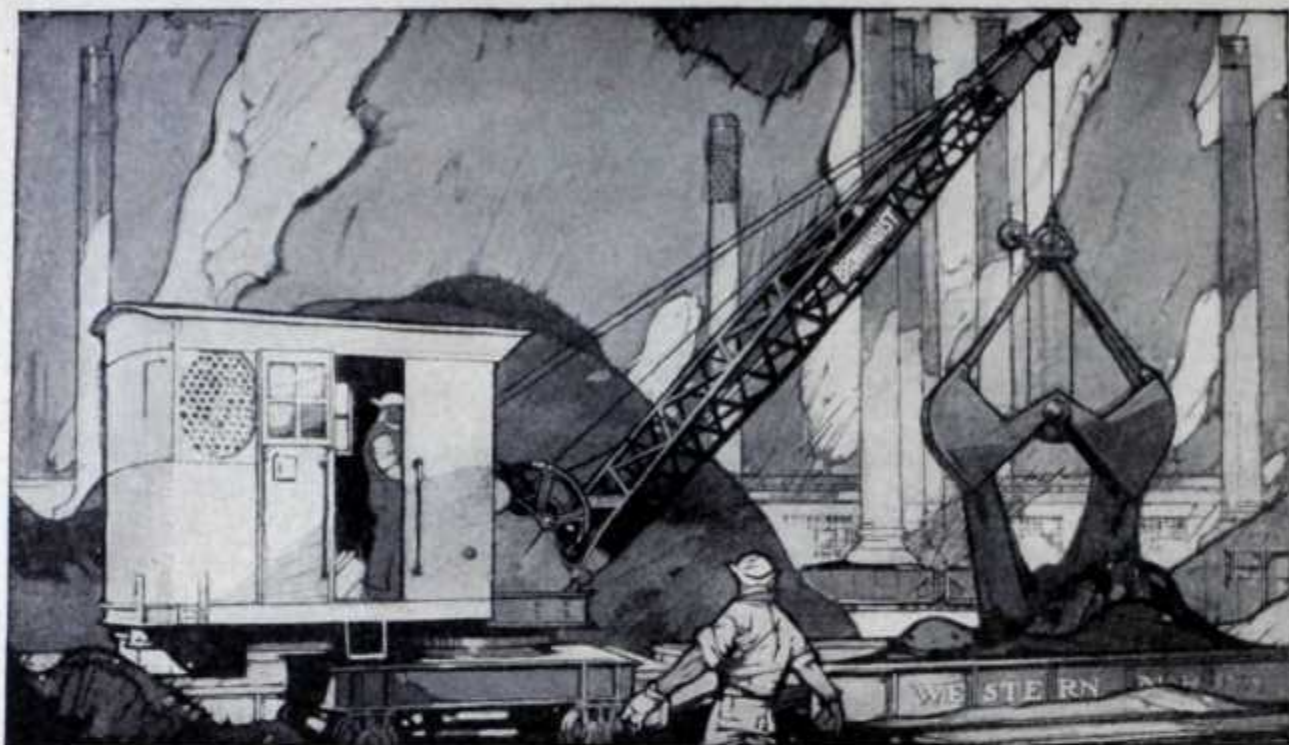
AGRICULTURAL	AUTOMOTIVE	GENERAL	FIREPROOFING
TOOL & WEIGHT BOXES - SEATS LEVER LATCHES - RUBBER & GUM WHEELS HANDSOME CLAMPING DEVICES - SHIMS LAND ROLLER, BRIMS	RADIATOR SHEETS - CRANK CASE HOUSING COVERS - BRAKE DRUMS CLUTCH DISCS - STEER HANGERS HUB FLANGES	LIFT TRUCK PLATFORMS - TANK HEADS INDUSTRIAL CAR WHEELS - WHEEL TRUCK HATCH CLEATS - BARN DOOR HEADS COMPOSITE BRIMS	STEEL CASES - FLOOR PROTECTORS - MATERIAL HANDLING DEVICES - LUGS - ROLLERS - WHEELS STEEL CASES - FLOOR PROTECTORS - MATERIAL HANDLING DEVICES - LUGS - ROLLERS - WHEELS

THE YOUNGSTOWN PRESSED STEEL COMPANY WARREN OHIO



All our factories are now
consolidated in one big,
new plant at Warren, O.

Youngstown
PRODUCTS



Brownhoist No. 2 Gasoline Engine Crane operates with gasoline or kerosene

Saving Thousands of Dollars With a Brownhoist Crane

One manufacturer, for example, finds that his Brownhoist displaces a force of 50 men in unloading incoming raw material from railroad cars.

Equally worth-while savings are effected in loading finished products; in handling coal, coke and scrap; in switching cars, and in a multitude of other handling jobs.

Brownhoist No. 2 costs less than \$15 a day. This cost includes operation, upkeep, taxes, interest and depreciation.

If you are eager to cut your material handling costs, our new booklet "Man-Power Multiplied" will show the way. A postal to us will put it on your desk.

The Brown Hoisting Machinery Co., Cleveland, Ohio

Branches: New York, Chicago, Pittsburg, San Francisco, New Orleans.

Other Products—Grab Buckets, Electric Hoists, Trolleys, Overhead Cranes, Bridge Cranes, Heavy Dock Machinery.

BROWNHOIST

LOCOMOTIVE CRANES AND HOISTING DEVICES

NATION'S BUSINESS

A Magazine for Business Men

VOLUME 9, NUMBER 9

SEPTEMBER, 1921

DISARMAMENT

There are times when force may be righteous, but as an ultimate reliance it is barbarous; until the race for armaments is checked there can be no relief from economic ills

By SENATOR WILLIAM E. BORAH

DESPITE her military defeat, Germany, by reason of the shortsighted and blundering policies of the allied and associated powers, may yet secure economic dominance in Europe. Defeat has resulted in Germany's being deprived of her army and her navy. The burden of armaments has been forced from the backs of the German people. They may now devote their energies and their talents to agriculture, to industry, to the arts, to the things which constitute the real wealth and strength of a people. Their genius will find expression, not in arms or on the military field, but in improved machinery and co-operative industry. Every ounce of effort which they put forth will be along lines which produce something, which add wealth to the community, which make for contentment and prosperity to the people, which insure greater physical prowess and a higher brain power.

On the other hand, the allied and associated powers are carrying a vast burden because of their great armies and navies. These burdens are being increased upon a stupendous scale. Hundreds of thousands of their people are to be engaged in lines which produce nothing, add no wealth to the community, make not for health, growth and happiness, but for display, parade and possibly for destruction and death. The German people are compelled to preserve their energies for things which count. The allied and associated powers are burying their people under intolerable taxes, discouraging industry, sterilizing human energy, and breeding discontent through their ever-enlarging plans for increased armaments.

It is true that Germany has a vast debt upon her for reparation. But this debt is no larger—and perhaps not so large—than our own expenditures as they will be created from year to year for armaments.

Let us take the figures: Germany is expected to pay an annuity of \$500,000,000 plus 26 per cent of the actual value of her exports. As matters now stand, the German foreign trade would make this export charge amount to about \$260,000,000, which would make her annual payment at about \$760,000,000. We will assume, however, that her exports will increase, so that at the end of forty years it is estimated that Germany will have paid \$33,000,000,000. Look at our expendi-

DRIVE the knife deep into governmental expenses," was the first recommendation of business leaders from seventeen countries who met at London to analyze world business conditions. This examination of national budgets brought out the fact that from 75 to 90 per cent of such expenses had to do with war, and naturally, the second suggestion closely followed: "Disarm, according to the treaties, and thus reduce budgetary expenses."

Estimates of the world's annual armament budget since the war vary from eight to ten billions of dollars. Accepting eight billions as a conservative figure, on a basis of 5 per cent it represents one hundred and sixty billions of capital set apart at the expense of the taxpayer. Business executives just naturally couldn't escape this item.

One of the aforesaid business men added this thought to the discussion, which makes Senator Borah's article even more timely: "We have forced Germany to disarm. From the saving thus effected Germany this year will pay two-thirds of her indemnity. From an economic standpoint that situation has possibilities." Senator Borah, who has long studied the problem, points out some of these possibilities.—THE EDITOR.

tures for our military and naval establishments: We expended for military and naval purposes from June 30, 1920, to June 30, 1921, \$825,337,939. The Army and Navy bills just passed will incur an expenditure of not less than \$830,000,000—perhaps more. This would equal in forty years a little over \$33,000,000,000. So we shall pay for our army and our navy at the present rate an amount equal to the vast reparation bill which has been assessed against Germany.

France has an army of 800,000 men. The exact cost for maintaining this great army I do not know, but one can imagine how stupendous it is. The British army and navy combined call for an expenditure much larger than our own. Thus, while Germany has her billions of reparation, the allied and associated powers are spending their billions for their armies and navies—we alone expending as much for our army and navy as the entire reparation claims against Germany.

The business men of this country must realize, more keenly, perhaps, than anyone else just now, what these armament expenditures and the taxes thereby imposed mean to business of the future. There is little encouragement for men of business capacity to

plan and strive for success when they realize, as they must, that their profits are to be taken for taxes, and that those taxes, when collected, are to be expended, not for things which make for wealth and development, but for sheer waste and sterility. We shall not enjoy that resiliency and revival in business which we are entitled to experience in this country until taxes are brought within reason. And taxes can not be reduced until expenditures are brought within reason. And public expenditures can not be reduced until outlays for armaments are brought within reason.

All that is being done and said just now about reducing the expenses of the Government in other departments and along other lines will amount to very little so far as lifting the burden of the taxpayer is concerned, unless we also cut most savagely the expenditures for armaments, for there is where the vast sum of money goes.

Neither can we wait, nor need we wait, until all questions about which nations may hold differing views are settled before we begin to limit our armament expenditures. There

are now three nations in absolute dominance of the seas—the United States, Great Britain and Japan. These three nations are the only nations which are building vast navies. They are now actually engaged in a naval race. They are building navies with mad speed and piling taxes upon the people at a rate and to an amount never before dreamed of in time of peace, and seldom in time of war. To say that these building programs shall go forward, that these taxes shall continue to be increased, and the burdens under which the people are breaking shall be augmented until all international questions about which nations and peoples may hold different views are settled, is to say that there is to be no disarmament.

Disarmament should not be postponed, or subordinated, or made incident to the settling and adjusting of all international questions. It should be made the controlling, dominating question. It is the most vital problem in the world today. Unless disarmament is effectuated, there is no possible relief from the economic conditions under which we are now suffering. And any plan, or any program, which makes the question of disarmament a subordinate, or incidental proposition, rather

than the main and controlling proposition, will result in the future, as it has in the past, in no relief to the taxpayers and no relief from war.

There are many obstacles to overcome before we can achieve disarmament, or any pronounced limitation of armaments. I do not underestimate the difficulty of overcoming these obstacles. But the obstacle which seems to me the greatest, the obstacle which seems to me the most difficult to master, is one which we will not admit exists, and that is the reliance which we have come to have on force as the only power left on earth with which to govern men.

Mr. Hughes, the Premier of Australia, declared in an interview that we must adjust every question touching the Pacific before we can consider the question of disarmament—that there can be no disarmament until all these questions are amicably arranged and settled. This is to declare in another way that we propose to settle these questions ultimately by force in case we fail to settle them satisfactorily to ourselves through negotiations. It is the old practice attributed to the Kaiser of rattling the sword at the conference table. It is, as everyone understands, a threat. In other words, the real reliance for ultimate settlement is upon force and the covert threat of its use is, as of old, at hand. As a conferee thinketh in his heart, so is he.

The Old System

THIS is the system which has been tried by the diplomats for three hundred years, and instead of resulting in disarmament, it has resulted in continued and increasing armaments. If all nations having interest in the Pacific would disarm, or limit their armaments to a point of real defense—or, at least, to the point where it could no longer be said that an actual naval race was on—might it not be possible to adjust these questions more satisfactorily, more effectually, and more easily in the court of reason and conscience and under the compelling power of public opinion? Is it necessary to have this threat of ultimate force pronouncedly a part of every conference? Is it wise to have the hammers and anvils going on the outside of the conference to the extent that the din of building battleships will deafen the voices of the conferees?

The fact is that while we thought we had conquered militarism, it has apparently conquered us. The barbarous creed of Bernhardt has become the accepted rule of the parliaments and congresses and conferences

of the new world, as well as the old. The thing which is paralyzing the energies and dissipating the moral forces of the whole human family today and retarding every effort toward peace, driving us to the very brink of chaos and barbarism, is the fact that governments are still worshipping at the throne of militarism. There is to them no God but force. Before the war we had great faith in the commanding influence of justice and the power of public opinion.

I have before me now an interesting editorial in which it is urged that it is useless to talk of disarming until the causes of war are removed. One of the most prolific causes of war is huge armaments. An armed world

is improbable that differences will lead to conflict, first reduce armaments, which always inspire war, and prevent naval competition which is a daily, ever-present, taunting suggestion of war.

I understand fully that there may be circumstances and conditions in which an appeal to force is not only necessary but righteous. But to deify force, to make it the dominating factor, to have it ever present, to sit at conference with your finger pointing back over your shoulder to your armies and navies, to intrude into every settlement, and to announce to the world that it is your ultimate reliance, is barbaric—and it is none the less barbaric when it is practiced by professedly Christian nations.

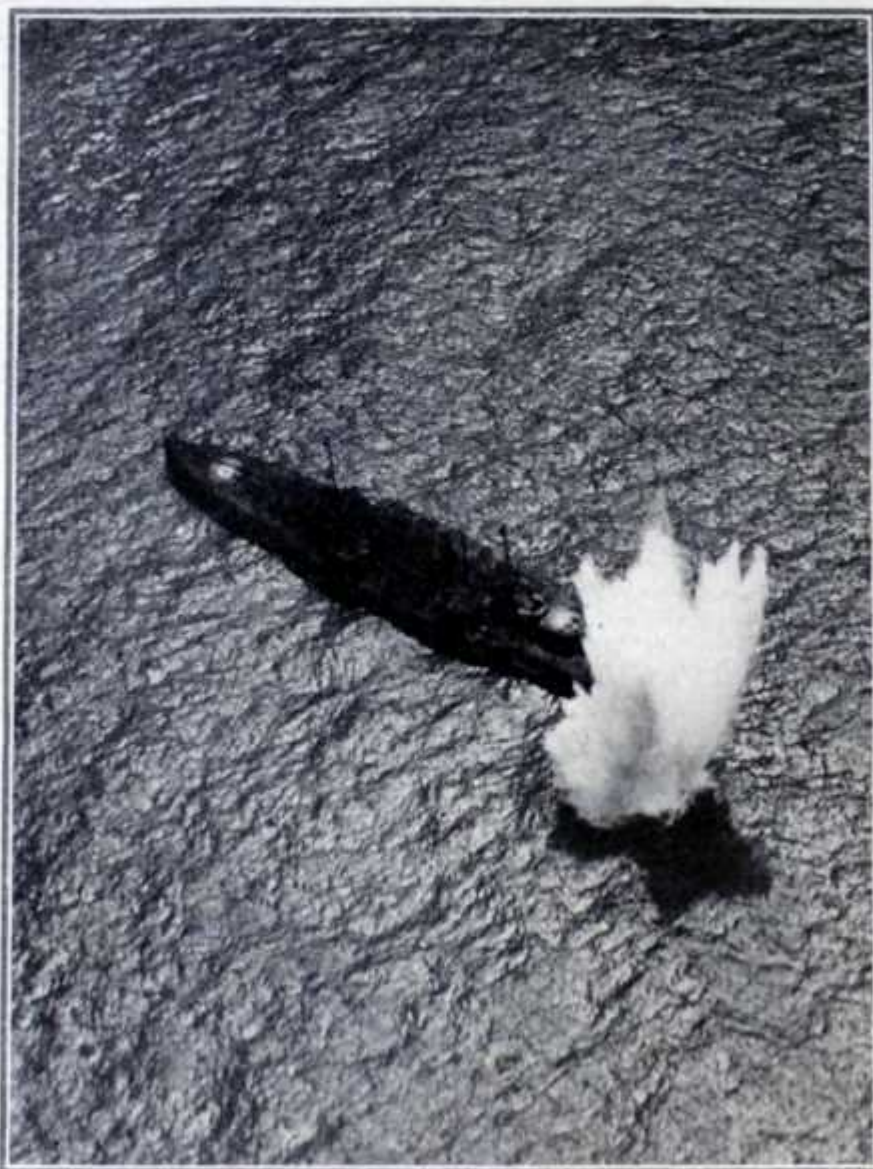
For myself, I refuse to concede that force is the only power left, or that it should be the dominating and controlling power. It cannot be possible. Reason and justice must still have their place in the affairs of the world, and if leaders and statesmen are strong enough to place their reliance upon them, they will go far. I venture to declare, in the face of professional militarists, that no nation can long defy the public opinion of the civilized world—and especially no government can long defy the public opinion of their own people. And if this conference is conducted as an appeal to the public opinion of the world and to the public opinions of the peoples of the respective countries, it will accomplish far more than if it is conducted under the constant threat of dominating armaments.

Another Road Needed

THE world is waiting for someone to point the way along a different road, and someone will ultimately point the way. If we do not do so, the glory will pass to others. You may postpone and procrastinate, and timid men may still adhere to old precedents and practices, but a different program will be had. Someone will announce it and execute it.

I can think of no greater honor which men may enjoy, or no greater glory which men may share, than the honor and the glory of

bringing the nations now started on this mad race for naval supremacy into conference and there, under the invocation of reason and justice, guided and directed by public opinion, determine whether we shall continue to utterly disregard the interests and the happiness of our people, or whether we will turn to a course and accept a creed which will not only insure happiness to the masses, but perpetuity to orderly and free government.



Official Photograph, U. S. Navy.

The bombing of the German battleship, *Ostfriesland*, off the Virginia Capes. A bomb has just struck the water a little astern of the ship. Charges weighing a ton sank her within a few minutes after they hit. This doesn't mean that navies are extinct. It merely opens a wider field for activity—and expense.

is a fighting world. Naval competition engenders suspicion, fear, hatred, war. If there should be twenty years of intense naval rivalry between the United States and Japan, any sterile promontory or irrelevant rock in the Pacific might give rise to war.

There will always be questions of commercial rivalry, matters of difference between nations, and this rivalry and these differences will always lead easily to war when the nations are armed for war. If you wish to make

Modern Preparedness

It consists, not in battleships and standing armies, but in continuously cataloguing industrial resources for military purposes, and developing the air and poison gas services

By **BENEDICT CROWELL**

Assistant Secretary of War, 1917-1920

AFTER EVERY WAR the United States has slumped from a peak of fighting efficiency to something near zero in preparedness. Prior to the Revolutionary War we were utterly lacking in the equipment of offense and defense. During that struggle we recruited and trained armies, we achieved some proficiency in fighting at sea; we put ourselves upon a comparatively secure military footing.

But straightway on the declaration of peace we relinquished nearly all we had gained. We retrogressed to a condition not very different, so far as security was concerned, from our condition prior to the conflict. We went into the War of 1812 unprepared, attained a fighting efficiency perhaps not so great as in 1776, and thereafter gave up the ground we had covered. It was so in 1846, it was so in 1861, it has been our tragic history up to the present. The United States from the first has presented the anomalous and humiliating figure of a nation least competent to defend herself just when self-defense became imperative, and most competent just when she was about to reenter a peace footing.

At present, we are, of course, making preparations for the next war. This is the duty of the War and Navy Departments in peace time. We are absorbing the lessons of the last war and are incorporating these lessons in our preparations for the next. We are preparing to fight the next war as we fought the last. Yet the only thing certain is that the next war will not be won by an army which fights as we fought in 1918. Who can forecast what new weapons will be devised when science and industry put their heads together behind another titanic battlefield? We can only guess the real meaning of preparedness nowadays, but we can make a fairly close guess. We can at least chart a course which promises national security.

In Terms of Materials

IT was not until we entered the World War that we began to think of preparedness in terms of materials. Before that we had supposed that it was a matter of man-power and of training it for military uses. As a matter of fact, this was but the minor and less difficult side of preparation. Not the mobilization of men, but the mobilization of ores and fuels, the muster of mechanics and machine tools, are the keystone of the battle structure. When the German flood overwhelmed Belgium and swept onward into France it did indeed seem as though soldiers were the all-important thing, as they had been in other wars; but when the opposing hosts struck a deadlock and dug in, there came a startling realization that victory would rest with the side which could throw into the scales the greater weight of material.

Since 1914 the world has covered more ground in the matter of making war, than

MR. CROWELL is especially well-equipped to discuss the problems connected with preparation for war. Aside from his official experience he is co-author, with Robert Forrest Wilson, who was Captain in the United States Army in the World War, of a six-volume work, just completed, on "How America Went to War." This is a history of America's industrial war effort both during the conflict and the demobilization afterward. Mr. Crowell was engaged in many business enterprises before he became associated, in 1917, with the Council of National Defense in Washington. Subsequently, as Assistant Secretary of War, he was in charge of the business side of war preparation, was Director of Munitions, and had charge of much detail work in providing arms and munitions for our military forces. He is now president of the Army Ordnance Association.—**THE EDITOR.**

was traversed between the time when mailed Spanish conquerors witharquebuses invaded the Americas and the time when cannon thundered at Sumter. In the last seven years we have witnessed an extraordinary evolution. The machine has entered the lists, and the soldier has become a mechanic. Not only machine guns, tanks, trench mortars, mechanical coordination of battery fire, the simultaneous projection of lethal gases from linked instruments, and the other machinery of destruction, are essential; but machinery which vastly multiplies the fighting power of the individual soldier has come into play. Machines move supplies, maneuver artillery, deliver messages, build roads, and restore bridges.

In war, armies depend for their living supplies as well as their death-dealing materials on industry at home. There must be solid business organization back of the lines. There must be harmony among the various projects, an equitable division of manufacturing facilities and materials, uniformity in contracts, a careful distribution of war work to avert factory congestion, and accurate information as to what can be done here, what there. When finally, after much delay, American industry was coordinated for the World War, it performed the miracles Europe had expected. The records of production were worthy even of a nation whose reputation for efficient quantity production was world-wide. For the safety of America it is imperative that we consolidate the gains we made then, profit by the lessons we learned and maintain a perpetual inventory of industry, supplemented by a continually freshened embryo war plant, against the possibility of future emergency.

When I speak of a constant survey of our resources, some may suppose that the decennial census answers the purpose. It would not answer the purpose even if it were annual. The Federal census is valuable as a milestone of American progress, as a

basis for certain governmental activities, and for some statistical purposes, but it is practically valueless as a source of data on industrial mobilization for war. It merely enumerates and generalizes. In the event of war we require to know, not how many machine shops there are in America, but such facts as these: Where are the shops which can be converted to make shell? Where are those which can make guns? Where are those which can be transformed into recuperator factories? Can their facilities be expanded? What is their personnel? How soon can they get on a war basis?

The census tells us exactly how many acres of cultivated farm land we have, but gives no hint as to what acres can be cultivated intensively in wheat or potatoes. The census gives no intimation that certain factories may turn out artillery recoil mechanisms instead of sewing machines or automobiles or elevators. The census does not say which textile plants are best qualified to begin quick quantity production of cloth for airplane wings. Adequate preparation for the future means that we must compile and maintain currently the catalogue of American manufacturing resources adaptable to war uses.

But this is only part of the story of industrial preparedness. We made certain gains during the World War which we should not forego now. We are depending, for instance, upon a reserve of 300,000 tons of Chilean nitrates, and apparently are about to charge off to war costs our enormous investment in nitrate fixation plants, although they might be maintained as a going concern for the manufacture of fertilizers during peace time, in readiness for the manufacture of nitrates in case of war. And we can not afford to let our dye industry languish, even though the colors of our clothes run. Every dye factory is a potential explosives factory. Germany's control of the industry was one of her strongest weapons during the war. These are but two instances among many.

Not All Gains Lost

IT is true that in the process of demobilization we did not let all our gains go by the board. We had acquired a prodigious munitions plant at a heavy mortgage on the future (in the shape of Government bonds), and we were not guilty of the folly of closing out the business entirely. In dismantling our war industry we saved a material equipment which, if maintained, will afford us ample military insurance for years to come. The subject is too vast to attempt even a sketch of it within the narrow limits laid down for me, but the present position of the United States in the manufacture of mobile field artillery may serve as an example. Seventeen emergency gun plants were closed out altogether, but two remain among the war assets of the United States, held "in

ordinary," as the phrase goes, closed but with machinery slushed in grease and boxed, ready to operate as soon as workmen can be recruited and the fires started. Before 1917 the annual American production of guns was about seventy-five. Tomorrow, if necessity arose, we could produce nearly nine hundred monthly.

The following table shows our equipment:

Type of Weapon	Monthly Production Capacity
75-millimeter gun	360
75-millimeter gun	49
4.7-inch gun	100
4.7-inch gun	17
155-millimeter howitzer	200
155-millimeter howitzer	52
155-millimeter gun	60
240-millimeter howitzer	60

Total monthly gun-making capacity 898

To maintain these plants in stand-by condition and to make such changes in machinery as are necessitated from time to time in types of artillery, would not involve great expense.

There should be, at the same time, a proper reorganization of our aviation service, so that this arm could expand and develop without hampering restrictions. Much could be accomplished in this direction without increasing the present expenditure by avoiding the duplication that now exists. So far as I know, since the war, there has been no adequate effort up to the present time to develop our aviation warfare facilities, and it would seem that before there can be an adequate effort the Army and Navy must be shaken from their citadel of conservatism.

Chemical warfare has come to stay. In the history of the world, no efficient weapon of war ever has been abandoned so long as it continued effective. About 30 per cent of our casualties in France were gas casualties, even though at that time the Germans were very short of gas. Of the 72,000 men so injured, about 1,200 died (less than 2 per cent), and there is little evidence that the others will not completely recover. Certainly they are not maimed as are the victims of shot and shell. Chemical warfare, in fact, may be made more humane than the warfare of cannon. Despite the fact that it was a new development, it proved itself during the World War, and we can not consider ourselves adequately prepared unless we reach a proper realization of its future. Soon after the Armistice was signed, the General Staff of the Army, under a reactionary and short-sighted influence, attempted to do away with our chemical warfare service, and to scrap all our knowledge of this new and most promising

arm. Such action was prevented only by the wisdom of Congress. The service has not recovered from the blow. It should be built up and encouraged.

When the *Ostfriesland*, which von Tirpitz called an unsinkable ship, was sunk by aviators with 2,000-pound bombs in twenty minutes, it indicated that navies of the present type may be becoming obsolete. It may be argued that a new battleship can be built capable of withstanding such a bomb. The answer is that the 4,000-pound bombs already are being built, that even larger bombs can readily be constructed, with airplanes which can carry them. There can be no real competition in such a race. And the conviction must force itself upon all who consider the subject that what we need is not so much \$45,000,000 battleships as airplane carriers, for the navy of the future.

It's Airplanes Against the Battleship

THE modern battleship has an effective gun-range of fifteen miles. The carrier has a range of one hundred miles. The battleship can throw a missile containing 100 pounds of TNT; the airplane can carry a missile containing 2,000 pounds or more. Since this is so, is it not apparent that the navy is impotent unless it can control the air? Is it not apparent that the navy of the future must be a navy well equipped with airplane carriers and submarines—a "three-plane navy"? Few persons truly appraise the achievement of the German submarine navy. Less than one hundred skilled officers and ten thousand men stood off and nearly beat the immense navies of the Allied Powers in addi-

tion to destroying more than one-third of the Allied and neutral merchant tonnage, and an even larger percentage of the ocean-going tonnage. This indicates that in the future a small and efficient submarine fleet can dispute the control of any given sea area with the most powerful surface fleets in existence.

A further thought suggests itself. If a navy is impotent without control of the air, what part of a navy can be dispensed with? If we are able to control the air, we can destroy by air power, without a navy, any hostile navy sent against us. The matter is worth further thought. Here is a chance for economy, since air power is cheaper than sea power. The entire cost of the squadrons of Army planes that destroyed the German warships recently off the Virginia capes was about that of one modern destroyer, say \$2,000,000. We now have more than 300 destroyers alone.

It even seems reasonable to suppose that inter-continental wars may be impossible in the future, because of the difficulty of transporting across the ocean an air force great enough to achieve superiority over the air forces of an enemy on its home ground. This must be true if the enemies are about evenly matched in air power—and it is only such a war as this that need concern us.

Under the Act of June 4, 1920, a necessary reorganization of the War Department was made possible, but has not yet been fully worked out. This law provides that the business end of the machine is to be shifted off the shoulders of the General Staff to the shoulders of the Assistant Secretary of War, thus putting the industrial side of waging war into its correct perspective as a civilian function of equal importance with the function of supplying trained troops to the field.

With this War Department reorganization accomplished, with the maintenance of a large number of trained officers, Army and Navy, in readiness to train others when needed, and a reasonable reserve of men and equipment to be thrown immediately into the field, what is a logical scheme of preparedness? As I see it, the plan may be set down thus:

1. A perpetual inventory of our industrial resources with reference to their possible use in war.
2. An adequate air service, with an organized reserve.
3. An adequate chemical warfare service, constantly engaged in research and development of this arm.

In this program lies the possibility of effecting large economies by reducing our land and naval forces, while safeguarding the nation through a continuing state of true preparedness.



State, War and Navy Building at Washington; from a drawing by Herbert Pullinger

The Tax Program of Business

Trade and Commercial organizations cast their votes for a plan including a turnover levy by which Uncle Sam can raise his billions without undue hindrance to commerce

By BEN H. LAMBE

THE ADMINISTRATION has promised the country tax revision legislation at the present session of Congress.

This assurance is particularly welcome to business men, who have been urging a change in methods since the war ended nearly three years ago. It also has stirred their interest in the manner of revision and the means by which it is proposed to raise the large revenues necessary for the upkeep of government without imposing hardships on the operations of business.

The Chamber of Commerce of the United States, in which more than 1,400 commercial and trade organizations hold membership, as a result of two referendum votes on the subject, has presented to Congress, now considering tax legislation, a program which it believes if adopted will obtain the funds needed with the least disturbance to trade and industry. These proposals call for repeal of the present excess profits and war excise taxes and substitution in so far as necessary of a general turnover tax on all business transactions.

The program of the Chamber is important in that it represents the viewpoint of a large body of business men—men representing virtually every kind of business carried on in the United States. It was forwarded to Congress as expressing the nearest unanimous common viewpoint of business on the subject that it is possible to obtain.

The first proposal in the Chamber's program is for repeal of the excess profits tax, continuance of which, it is held, retards the progress of readjustment. The reasons for levying this tax have passed. The tax produces inequities, it is difficult of administration, and price declines are decreasing revenues from this source.

Repeal of war excise taxes is sought on the ground that these taxes place handicaps on various industries. The Chamber commends repeal of both the excise taxes on transportation and communication and those levied in relation to particular businesses.

The largest vote obtained by the Chamber—after virtually a unanimous demand for repeal of the excess profits tax—was for repeal of the taxes on freight and express charges, passenger fares, Pullman charges and messages. The next largest vote was for the repeal of the war excise taxes levied in connection with particular business—i.e., ranging from automobiles and their accessories, through theater tickets, beverages, candy, jewelry, insurance, wearing apparel, musical instruments, etc., to chewing gum.

The excess profits tax and the excise taxes, the removal of which the Chamber urges, have been estimated to produce more than a billion dollars in revenue. So far as the Government's necessities require a replacement of the revenue lost through these repeals the Chamber would have Congress use a tax on all turnovers.

In voting for such a tax the Chamber's members had an opportunity to vote for an increase in the income tax on corporations. The result of the balloting shows that they

THE FEDERAL tax program suggested by the Chamber of Commerce of the United States as a result of two referenda, follows:

Repeal of excess profits taxes.

Repeal of war excise taxes, both those on transportation and communication and those levied in relation to particular business.

A tax on all turnovers to bring in such revenues lost through these repeals as necessities require.

Decentralization of administration of income taxation.

Ascertainment by the Government of any tax based on income before payment.

A court or courts of tax appeals to be entirely separate and independent of the Treasury Department.

Net losses and inventory losses in any taxable year to cause redetermination of taxation on income of the previous year.

An exchange of property of a like or similar nature to be considered merely as a replacement.

Gains realized from the sale of capital assets to be subject to lower rates than income received from business or other current activities.

Income from any new issues of securities, which lawfully may be made subject to Federal tax, to be taxable.

Exemption of American citizens resident abroad from the American tax upon income derived abroad and not remitted to the United States.

decisively preferred the general turnover tax. On the form that a sales tax should take there was a large majority for the tax on turnovers as against a retail sales tax, as there was a majority for a tax on all turnovers instead of a tax only on turnovers on goods, wares and merchandise.

In the first referendum there were a majority of votes in favor of excise taxes on some articles of wide use but not of first necessity. There were later suggestions that a number of organizations had erred in marking their ballots, with a result that they were recorded in favor when they were in fact opposed to such taxes. In the second referendum there was no doubt of the result and it became evident that the members of the Chamber favor a sales tax and not excise taxes.

The Chamber asks decentralization of administration of income taxation. This is held to be necessary because of the great inconvenience occasioned by the fact that so many taxpayers have to journey all the way to Washington to take up taxation matters when they should be able to take them up in their own districts.

The Chamber would have the Government ascertain the exact amount of income taxes before payment is made as a part of its program. At present no matter how conscientious the taxpayer he never knows when

he is through. If a Treasury ruling is revised new assessments may be made. Under the present law the taxpayer makes payment of a tax which he assesses on himself. He then may wait for years to see if he paid the correct amount of taxes.

A court or courts of tax appeals is urged by the Chamber to be independent of the Treasury Department.

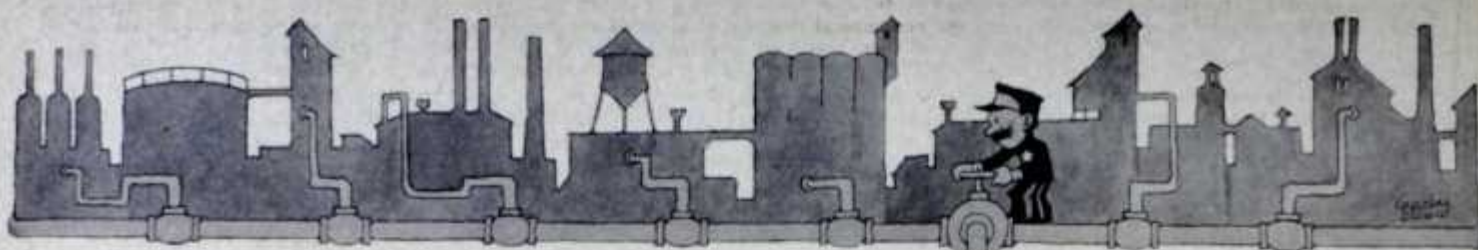
Another proposal in the Chamber's program is that losses in the present and future years should be deductible from net income of the preceding year and a redetermination of taxes be made. The rigidity of the law has brought hardships, as for instance at Pueblo, where the recent flood swept away past profits for several years. This situation, in the opinion of the Chamber, should be remedied.

The Chamber holds that an exchange of property of a like nature should be considered merely as a replacement involving no gain or loss. Proper safeguards should be made, however, against evasion through simulated exchanges.

Gains realized from the sale of capital assets, the Chamber asserts, should be subject to lower rates than income received from business or other current activities. This represents a modification of a former position taken by the Chamber. Last winter the members of the Chamber voted that these gains should be allocated over the period in which they were earned and taxed at the rates of the several years in the period. At the Chamber's annual meeting held in April the delegates representing the organization members took the attitude that this would not afford sufficient relief and that if, in the maintenance of necessary revenues, such gains are to be treated as income, they should be properly defined and then subjected to more reasonable rates, these rates to be lower than on income derived from business or other current activities.

Future security issues should be subject to income tax, where this may be possibly legal, the Chamber says. Persons with large incomes are led by the undue high surtaxes to invest in these securities because of their tax exempt features. This is to the public detriment. A committee or whose report one of the Chamber's two referenda was submitted suggested in this connection that the high surtaxes should be so readjusted as to be more revenue producing or that a reduction in the present rates over and above a full revenue producing rate should be made on that part of the income which is saved and invested in taxable securities and maintained in that kind of investment.

The last proposal in the Chamber's program is that American citizens resident abroad should be exempt from the American tax upon income derived abroad and not remitted to the United States. So long as American citizens abroad are subject to tax here merely because of their American citizenship, they are placed at a disadvantage in competing with citizens of other countries.



The Sales Tax

This form of levy is simple of assessment and collection—and
"some day not far distant" we are going to have it

By SENATOR REED SMOOT

IT HAS BEEN repeatedly announced that the House of Representatives will demand a lifting of taxes and not a shifting of them. I want both a lifting and a shifting of taxes, and I know the American people want the same. The expression "consumption taxes" scares the politician much more than it does the American taxpayer. Every internal tax imposed is a consumption tax. The demagogic cry of the unloading of the burden now supposedly placed on the shoulders of the rich onto all the working population of the United States through a sales tax on goods, wares, and merchandise is a theory and not a fact, and theories never have been and never will be accepted as payment for taxes.

Some day not far distant America will have a general sales tax law; and with new forms of pensions that will become a heavy drain upon the Treasury, together with the 2½ per cent sinking fund for retirement of the public debt and nearly \$1,000,000,000 of interest to be paid annually upon the Government obligations, the sooner a general sales tax bill is enacted into law the better it will be for America.

If such a bill becomes a part of the revenue laws of our country Congress can repeal all the irritating, nagging, discriminatory taxes amounting to hundreds of millions of dollars, and the excess-profits tax, the result of which has worked havoc with the business concerns of our country, which have in many cases been compelled to pay the excess-profits tax on paper profits.

I have received a few letters of complaint against a general turnover tax from concerns doing business on an average of 2 per cent to 3 per cent profit on their turnover sales and claiming that if the 1 per cent sales tax were imposed it would ruin their business. Perhaps in some cases the imposition of the tax, if it had to be paid by the merchant, would seriously cripple him; but such concerns must understand that the tax imposed is to be paid by the purchaser. It is to be added to the regular price charged for all goods sold. If the merchant desires to absorb the tax there is no objection to his doing so, but the law does not contemplate any such result.

Three alternative propositions may be taken as a basis of a general sales tax, which may be stated briefly as follows:

1. A rate of one-half of 1 per cent, but not to exceed 1 per cent, on all sales without distinction of integrated or unintegrated concerns.
2. A rate of three-fourths of 1 per cent, but not to exceed 1½ per cent, with credit for taxes previously paid on goods bought for resale.
3. A rate of 1 per cent, but not to exceed 2 per

cent, without distinction of integrated or unintegrated concerns, but exempting each dealer on the first \$50,000 of annual sales.

The first of these plans recommends itself on account of its simplicity in administration and collection. I favor a rate of tax of one per cent, but if at any time the revenue from such an act needed to be increased, the only amendment required would be a change in the rate of tax. This follows closely the provisions of the Philippines sales tax, which today is the most productive and, to all classes, the most satisfactory tax imposed in the islands.

There seems to be some misapprehension as to what constitutes a general sales tax. Let me define it. It is:

A tax on the gross value of goods, wares, and merchandise, whether raw material or manufactured or partially manufactured products, whether of domestic or of foreign origin, and such as are generally sold or exchanged and delivered for domestic consumption, whether in barter or on a cash, credit, or instalment basis, which tax shall accrue at the time of sale or lease of all such goods, wares, and merchandise, at the rate of 1 per cent of their total value at the time of such change of ownership. This tax also applies to the total amount or amounts received on all leases of goods, wares and merchandise.

The 1 per cent sales tax is similar to an overhead charge, to be added to the cost of the goods and finally paid by the ultimate consumer, but there is nothing to prevent the seller of the goods from absorbing the charge, and that, no doubt, will be done with many establishments where their sales profits are large.

One advantage of such a tax is its extreme simplicity of assessment and collection. The employment by the taxpayers of costly experts is quite unnecessary, as is the burdening of the tax administrative machinery with complicated, expensive, and long-drawn-out audits causing long delays in the collection of taxes. It is not inquisitorial; it does not raise difficult questions about losses, depreciation, and the like; it is more easily allocated among competing jurisdictions than a tax upon net income. No revenue defrauder in the Philippines ever claimed ignorance of the law in palliation of this offense.

I heard not long since of a woman who

owned a grocery store up-state in New York, and who became so worried and fearful lest the Government would confiscate her business because of possible errors in her income-tax report that she lost her mind. Press reports said that she had been committed to the State Asylum for the Insane. I mention this by way of contrast with the admirable simplicity of the general sales-tax plan.

Let us consider other advantages: Each taxpayer would pay, out of his gross income, his sales tax, and automatically grade the amount according to his ability to pay; this grading would be far more exact, scientific, and equitable than are the artificial steps or brackets imposed by the net income-tax system of existing revenue laws. Under a sales tax the taxpayer would pay currently, and would not feel the burden, while under the existing revenue law hundreds of thousands of income taxpayers are now, when reduced incomes are the rule, greatly harassed by the payment of taxes which accrued a year ago when incomes and profits were greater than they are today.

The fact that the tax rate applied alike to all mercantile transactions would make possible far greater productivity, together with a low tax rate. The absence in the Philippines of discriminatory tax rates leaves all taxpayers satisfied because all pay the same rate, and because goods sufficiently similar to be competitive, even though not identical, are taxed alike. The high discriminatory tax rates imposed under existing revenue laws appeal to the taxpayers as extremely unfair and are resented by them. This is the main cause why the tax administration has thrown up its hands, recommending the repeal of some of these consumption taxes, because they say they are easily evaded and too costly to collect.

The taxpayer could tell to a cent, under a general sales tax, with absolute certainty and with a minimum of effort, at the close of business each day, exactly where he stood as to profits and tax liability. Under the complicated existing excess-profits tax the taxpayer never knows, to a certainty, what a amount of profit he must add to his business to come out whole.



Naturally he adds all he thinks necessary, and experience has demonstrated that in many

cases he has doubled or trebled the amount, all of which inevitably results, as the goods pass along to the ultimate consumer, in a pyramiding of prices.

The Philippine Government is enthusiastic over the results of the sales tax and so cabled the Secretary of the Treasury in Washington, stating that the sales tax was the "most equitable, productive, simple, and economical" tax they had; that the original tax rate of one-third of 1 per cent had been increased to a full 1 per cent; and that the Philippine Government was then (December, 1920) considering the advisability of again increasing the tax rate, this time from 1 per cent to 2 per cent per turnover.

Prominent merchants with offices in Manila and New York City have, in printed statements, been equally as enthusiastic over the operation of the sales-tax law as is the Philippine Government. Industrial and commercial methods and conditions in the Philippines have, during the last 22 years, become thoroughly Americanized as scores of reputable witnesses—formerly in the Philippines and now in this country—are willing to testify. All of which should be sufficient to prove an error in judgment on the part of those in this country who have, on scant knowledge of their own, condemned the Philippine sales tax as being in principle rank economic heresy and in operation impracticable.

Where They Finally Rest

NORMALLY, the entire taxes paid on each turnover are shifted and rest finally on the ultimate consumer, this because the purpose of all business is profit and the cost of goods includes every item of expense such as raw material, labor, freight, rent, traveling expenses, interest, selling expenses, losses, and taxes. All of these items are normally shifted to the ultimate consumer.

It can be demonstrated with mathematical accuracy that even with a half dozen turnovers, and the corresponding 1 per cent taxes, the price of commodities to the ultimate consumer is very rarely increased over $3\frac{1}{2}$ per cent. Compare this with the 23 per cent increase resulting from the operations of the excess-profits tax. The $2\frac{1}{2}$ or $3\frac{1}{2}$ per cent tax content in commodities bought by the ultimate consumer means that a lot of goods which, sales tax paid, cost him \$102.50 to \$103.50 would, without the tax, cost only \$100. But as a matter of fact the sales tax encourages thrift and eliminates the 23 per cent which the operation of the excess-profits tax now loads on many commodities. Therefore the net result of a moderate general sales tax rate would be a considerable reduction to the ultimate consumer in the value of the \$100 worth of goods in the example given above.

Compared with the merchants' and manufacturers' ordinary profits on each turnover of goods, the 1 per cent sales tax is so small that it was found, after many years' experience in the Philippines, that normally, in ordinary commercial transactions, very little attention was paid to the tax. Under abnormal conditions, where the profits were larger than usual, the sales tax was absorbed.

Repeatedly the assertion has been made that a general sales tax would work to the disadvantage of the independent manufacturer, in competition with the integrated multiple-process concern. This is an error. Let us consider the factors which enter into such a situation:

As a rule, the integrated concern produces its own raw material at a minimum cost or pays less for its raw-material purchases in bulk than do its small competitors.

It is generally thought that the integrated concern because of its production in bulk, more economical machinery, smaller overhead expense per unit and multiple process from raw material to finished product, turns out goods at a lower cost than do its smaller competitors.

Per contra it is well known:

That not all independent manufacturers do business on a small scale.

The independent manufacturers who specialize on certain finished products are able to successfully compete with the bulk production of large integrated concerns manufacturing the same finished products.

That the activities of many concerns, such as automobile manufacturers, consist mainly in assembling parts manufactured by several integrated or independent concerns.

For the purpose of this article, we are to consider how a 1 per cent sales tax on final output affects a large integrated concern with, say, six multiple processes between the raw material and the finished product as distinguished from a half dozen independent concerns, each performing one of the six multiple processes, performed by the integrated concern, and each paying a 1 per cent sales tax on their output of the partially manufactured product.

The natural assumption would be that the six independent concerns among them would pay six times the amount of sales tax that the integrated concern would pay on the same output. But this assumption would be wrong, for the following reasons:

Each of the six independent concerns would shift along to the next independent manufacturer in line all of the original costs of raw material plus the various costs at that stage of the partially manufactured product plus his own profit and the compound profits of the manufacturers who had preceded him and add the 1 per cent turnover tax to the bulk sum of all these items. The total of these six profits en route would make the finished product to the ultimate consumer several times the amount for which the first independent manufacturer purchased the raw material. Therefore, instead of 6 per cent—1 per cent on each turnover—the tax content of each dollar the ultimate consumer paid for a finished product would, normally, range between $2\frac{1}{2}$ per cent and $3\frac{1}{2}$ per cent.

The integrated, multiple-process concern would add merely the cost of production in each of its processes to the partly manufactured goods entering the next process and add to the total cost its profit, together with 1 per cent of the total sale price of the finished product, which is normally sold in competition with and at approximately the same price as similar finished products are sold by the last one of the six independent manufacturers.

Therefore, the advantage which the large integrated concern would have over each of the independent concerns would be from two-fifths to three-fifths of 1 per cent—that is, $2\frac{1}{2}$ per cent or $3\frac{1}{2}$ per cent divided by 6. But as independent manufacturers, large and small, have thrived and continue to thrive alongside of large integrated multiple-process concerns, the natural assumption is that they will continue to thrive, regardless of a fraction of 1 per cent advantage. Whether this advantage will be used is doubtful. So far the large concerns have shown no disposition to drive their small competitors out of business. No doubt the large manufacturer is more than satisfied to allow his small competitor to set the price.

Logically competition and the sales tax would result in an increase of 1 per cent or

2 per cent or 3 per cent to the ultimate consumer, and the repeal of the excess-profits tax would result in a decrease to the ultimate consumer of several times that amount. As for the small independent manufacturer and the large integrated multiple-process concern, they should continue in the future, as they have in the past, to operate alongside of each other.

The following table shows how a year ago a suit of men's clothing, retailing at \$60, would increase in value from the raw material to the finished product:

	1 per cent tax
1. Raw wool in grease, about \$6.50	\$0.065
2. Wool dealer scours wool and sells to spinner, \$8	.08
3. Spinner converts into yarn and sells yarn to the manufacturer, \$10	.10
4. Manufacturer weaves and finishes into cloth and sells $3\frac{1}{2}$ yards at \$4	.133
5. Trimmings, linings, etc., 50 per cent of cloth	.1891
6. Tailor makes into suit and sells at \$40	.40
7. Suit is sold at retail for \$60	.60

Total tax price on consumption...\$1.3674

which equals 2.61 per cent of the value of suit to the purchaser.

If the same suit of clothes were manufactured today, with wool at its present price, there would be a different result from that shown by this table.

Many of the taxes imposed under the present revenue laws are disguised and heavily inflated consumption taxes, and when finally paid by the consumer result in an ever-rising cost of the necessities of life. They have promoted extravagance and inflation, restricted competition, obstructed the development of our natural resources, discriminated between taxpayers, and are next to impossible to administer.

A Government Service to Industry

AS A STEP towards carrying out Secretary Hoover's plans for "a more adequate information service maintained by the Government," the Department of Commerce has issued a *Survey of Current Business* for July 1, 1921, compiled by the Bureau of the Census, Foreign and Domestic Commerce and Standards.

The information is not wholly from Government sources. Free use has been made of the statistics collected by trade associations and by publications. In the field of Textiles, for example, the figures of the Knit-Goods Manufacturers and of the Silk Association supplement those gathered by Government agencies.

In this first issue the figures are grouped under these twenty heads:

I. Banking and Finance	XI. Foodstuff Movement
II. Price Index Numbers	XII. Sugar, Milk and Tobacco
III. Cost of Living	XIII. Building Statistics
IV. Earnings and Employment	XIV. Metals and Metal Products
V. Retail Movement	XV. Fuel and Power
VI. Transportation	XVI. Textiles
VII. Foreign Trade Movement	XVII. Active Textile Machinery
VIII. Crop Production	XVIII. Paper and Rubber
IX. Movement of Farm Products	XIX. Automobile Tires and Tubes
X. Live-Stock Movement	XX. Leather Products

In each division the figures are coded into index numbers to show at a glance the upward or downward tendency of a movement.

Will the Farmer Buy This Fall?

A concern that took the trouble to ask Farmer Smith this question, answers it with a hearty affirmative—and even says how the harvest money will be spent

By JOYCE O'HARA

OVER the broad expanse of 6,449,998 American farms good crops are being harvested and marketed. Money is coming into sweat-stained pocket books. But will it be spent? And if it is spent, what will it go to buy? Many a manufacturer and merchant would sleep better tonight if he knew the answer to these questions. It is in the hope that we have found at least a partial answer, that we present this story of what Farmer Smith is going to do with his harvest money.

The meat of the story—and it is mostly meat—was furnished by a publishing house which gets out a farm journal. It went about it in an original way; it was left to the Smiths on the subscription lists.

"The Smiths," said the research man, "are reliable folks—good sound Americans who will average up with any group you can name."

So he sent out a questionnaire to the 12,824 Smiths who were on the publication's lists. The returns were heavy. They were used as a basis for estimating what the entire 1,100,000 farm subscribers were going to do with their harvest money. The commodities named were chosen, apparently, as the ones that had the most far-reaching effect on industry, such as building of houses, an enterprise that calls for a thousand kinds of materials and tools.

"The big thing to be gained from the perusal of the report," says the publishing house, "is the unalterable fact that farm folks not only have the money but that they are planning very definitely how they will spend it. All business is based on agricultural conditions—so it is obvious that there will be large and increasing opportunities for manufacturers to make cash sales this fall."

It is pointed out that the percentages are more likely to be low than high since the farmer is notoriously reluctant about reporting his buying intentions unless they are very real and immediate. Also it is quite possible that on the spur of the moment he may not remember all the things that he stands in need of.

It should be borne in mind that the 1,100,000 referred to below constitute a high type of farmer and that their demands may be larger than many of their brother agriculturists; also that the purchases planned are for this fall and winter.

Out of 1,100,000, there are 513,700 who will paint. The following table shows what that number is going to paint either this year or next year:

	In 1921	In 1922
Houses	194,700	239,800
Barns	107,800	140,800
Other buildings	100,100	105,600

The tremendous demand for building material is apparent from the following figures: 42,900 country people out of 1,100,000 of the type described, will build houses this year, and another 42,900 are planning to build barns. 38,500 are planning to build houses in 1922 and 40,700 are planning to build barns.

Moreover, some of these farmers will do a great deal of building, for 15,500 are planning to build both a house and barn this year, or a house this year and a barn next year, or vice-versa.

About 1,100,000 farmers will build 786,500 buildings; and 191,670 buildings will be repaired or remodeled. Tremendous quantities of materials will be required this year and next year to build or repair or remodel 862,000 farm buildings.

In addition to this, large quantities of tools will be purchased by the farmers. Even in ordinary times, the farmer or his son or hired man does a great deal of rough work in building. Now that labor is so plentiful on the farm, the farmers will do a much larger proportion of the work.

This fall, especially, will find the farmers exceedingly busy on fence building. The reasons are quite apparent—prices are pretty well down and labor is plentiful.

Of our 1,100,000 country people, 521,400 will build or repair fences this fall. Another 95,800 will build or repair next year. At least that many are sure, and undoubtedly many thousands more will find next year that they must build or repair.

Eleven and five tenths per cent of the Smiths will purchase automobiles this year, unless things go very wrong. This makes a total of 126,500 automobiles to be purchased this fall by the 1,100,000 farmers.

Quite a number of the Smiths are already pretty well sold on certain makes of cars. The table shows the number of different kinds of automobiles which 1,100,000 country people will buy in 1921 and 1922.

Ford	60,000
Buick	22,000
Dodge	12,100
Studebaker	2,200
Chevrolet	2,600
Overland	1,900
Still undecided	20,800
Total	137,000



These 1,100,000 country people will also purchase 17,600 motor trucks this year and are definitely planning to purchase another 2,100 next year.

Farmers are certainly well sold on the value of motor transportation. In addition to the automobiles and motor trucks, they are planning to purchase 8,300 motorcycles. Two thousand and one hundred prefer the Harley-Davidson, 2,000 prefer the Indian, while the other 4,100 do not seem to have any preference.

However, as against 8,300 motorcycles, which will be purchased this year, only 6,200 bicycles will be bought.

Sixty-eight thousand five hundred, out of the 1,100,000 farmers will purchase lighting plants this fall. Thirty-three thousand one hundred will install heating plants. The comparatively small number of farmers who are planning on heating plants, as compared with the number who will install lighting plants, would indicate that there is a great need for educational work by the manufacturers of heating plants.

They are planning to buy 28,800 gas engines according to the record of the Smiths.

There must be considerable replacement of the hand machines by the power or electric machines. This last is indicated by the fact that out of 78,100 washing machines to be bought, 8,300 will be electric machines.

Our 1,100,000 are not going to neglect the finer things of life—they intend to buy 120,300 musical instruments.

It looks as if the tractor industry would be pulled out of the slump this fall, for out of the 1,100,000, those planning to purchase tractors number 33,100. Nineteen per cent of these tractor prospects are planning to buy Fordsons, while the remainder do not express any preference.

One hundred thousand other farm implements will be bought. The fall purchase of machinery by 100,000 out of the 1,100,000 farmers may be considered a very large demand.

Altogether, it is conservative to estimate the total purchases of 1,100,000 country families, of the quality described at \$911,503,000.

The larger and the more definitely known purchases of various types of goods are given below:

Automobiles	\$161,800,000
Building materials	325,900,000
Building tools	12,507,000
Fencing	34,001,000
Gas engines	3,500,000
Heating plants	13,740,000
Implements and machinery	100,000,000
Motorcycles and bicycles	4,845,000
Motor trucks	23,700,000
Musical instruments	14,650,000
Paint	17,600,000
Tractors	33,100,000

In conclusion we may say that some of the indicated purchases will run below the estimates. Others will run above. It is noticeable that actual spendings always do run over mentioned plans for spending; farmers can not think of all the things they need nor take the trouble to write them down.

The Danger in Cost Systems

Few questions are more vital to trade associations than the Government's attitude toward collective study and use of rules for determining costs; here is an unofficial opinion on the matter by a member of the Federal Trade Commission

UNIFORM COST accounting by trade associations is not only legal but highly beneficial. This is the personal view of Nelson B. Gaskill, acting chairman of the Federal Trade Commission, as expressed, unofficially, to E. W. McCullough, manager of the Fabricated Production Department of the National Chamber of Commerce of the United States. The Commission heartily favors such work, "provided it is done scientifically and accurately."

Only when cost accounting is used for "ulterior purposes," such as finding averages or otherwise being made the basis of price-fixing, is it illegal.

Trade association members have long realized the importance of cost accounting information, and some of them have attempted to deal with the problem from an educational standpoint; but apparently not all of them have restricted their activities to the educational angle, and so have aroused criticism by the Federal Trade Commission and the Department of Justice. This has checked the efforts of others who were innocent of wrong-doing. It was to clarify the situation that Mr. McCullough wrote recently to Mr. Gaskill, asking for his opinion regarding uniform cost accounting as used by the producers of a certain line whereby they figured their cost under the same rules, including in them the same elements, and differing only in results because of variance in the size of plants, equipment, efficiency and local conditions. Such a standard plan would be uniform as to fundamentals.

The Commission's Attitude

IN reply Mr. Gaskill said: "There has been much misunderstanding and unfortunately not a little misrepresentation of the attitude of this Commission on the subject of uniform methods of cost accounting. In fact it seems to be difficult to secure, even for the most carefully worded statement, a proper appreciation of the Commission's position, yet it is really very simple, namely, that it is strongly in favor of such work provided it is done scientifically and accurately and is not used for ulterior purposes in violation of the law.

"No governmental agency in this country, except possibly the Treasury Department, has had so much occasion to observe the existing defects in cost accounting methods, but the Commission is glad to record its opinion that there has been, on the whole, a considerable improvement in recent years. The work of this Commission would be greatly facilitated by further improvement in cost accounting methods and also, in fact, by a greater uniformity in methods provided proper methods are chosen as the models.

"There has been a good deal of indifference and ignorance shown by individual com-

HOW FAR may a trade association go in a uniform cost-accounting system?

In putting this question to the acting chairman of the Federal Trade Commission, the Fabricated Production Department of the National Chamber made this explanation:

"We refer to a standard plan or methods which may be developed and used by the producers of a certain line whereby they figure their costs by the same rules, including in them the same elements and differing only in results because of the variance in size of plants, equipment and local conditions—uniform as to fundamentals.

"Is there any reason why such a system may not be developed and used lawfully by an industry? Again, if conversion costs only be dealt with, is there any legal bar to the collective study of costs by the members of an industry using such a uniform cost system?"

The reply, made unofficially, is that such a collective study is not only permissible but beneficial so long as no ulterior use of it is intended. At a time when the trade associations are in considerable perplexity as to what course of conduct they may pursue, this clarification of the cost-accounting problem should prove extremely helpful.—THE EDITOR.

panies regarding the methods of ascertaining costs. Accurate cost finding in some cases, however, appears to involve an expense that some business men regard as greater than the benefits, while in some industries the technical or theoretical difficulties in getting accurate costs are no doubt very great.

"As long as the principles of cost accounting are sound and the methods used are adapted to secure accuracy of individual results, and provided that the results are not used directly or indirectly for ulterior purposes of an illegal character, the Federal Trade Commission is in favor of the study and development of uniform cost accounting by trade associations, or otherwise.

"There is evidently nothing illegal in such a practice, but it is always well to remember that though innocent in itself, it has sometimes been perverted to serve the ends of collusive price control, and, when it is so used, no matter whether directly or indirectly, then restraint of trade is involved.

"With respect to uniform methods of determining conversion costs the same principles and conclusions would also apply."

In elaborating this statement, Mr. Gaskill wrote further a little later: "Stated in another way, the conception of the Commission is that the efforts of a trade association to educate the individual member in the application of sound principles of cost accounting in his individual business, are proper. But that any subsequent effort of the association to reduce the individual costs to an average or uniform cost basis and to procure the use of the group standard as a basis of

price making by each of the individuals in the group, is improper. The individual must fix his own cost and his own margin. The group may not attempt to substitute a group average or standard either of cost or margin for the individual's figures without being in peril of becoming an unlawful combination.

"Applying this statement to your interpretation of our letter of the 25th, it may be said that for a trade association to set up and induce the use by its members of a scientific and accurate plan of cost accounting is not only legal but highly beneficial to the individual members of the association. The use of this legal and highly beneficial information by each individual in establishing his own production cost and determining his own margin, is entirely proper. If thereafter the association attempts to induce its members to disregard their own varying figures and use a common average or uniform figure of cost or margin or both, it has departed from its proper position of instructor and may easily take on the appearance of a price-fixing combination in restraint of trade or in suppression of competition.

"How far the association can lawfully go in acting as the medium of exchange of cost data among its members can only be determined after the decision by the United States Supreme Court in the pending action against the American Column and Lumber Company et al., in which this question is involved.

"In such an expression as this, nothing is 'condemned' by the Commission. The Commission renders judgment only after the trial of an issue of fact upon a complaint, after hearing. Such letters as this are advisory only, suggestions and nothing more, written in the hope that they may be helpful."

The "Cans" and "Can't's"

COMMENTING on this correspondence, Mr. McCullough says: "Believing that the chief function of a trade organization is the education of its members along proper lines, it is apparent that there is no bar, legal or otherwise, to their promoting cost accounting among their members within the restrictions mentioned in the correspondence. But I can not too strongly emphasize what is also pointed out as to using this valuable information in a way which is clearly unobjectionable."

The Fabricated Production Department of the Chamber of Commerce of the United States has made a great deal of progress in its efforts to develop uniform cost accounting within the various industries, and has accumulated information concerning about seventy such systems. Mr. McCullough urged that other trade lines not so supplied develop similar systems for the benefit of their members.

Modern Problems? They're Old

Aristotle pricked the bubble of Socialism, recognized that export trade was a creator of prosperity, and foresaw the white-collar union twenty-two centuries ago

By SILAS BENT

In democracies the rich should be spared; not only should their property not be divided; but their incomes also, which in some States are taken from them imperceptibly, should be protected.

NO, these are not the words of a "reactionary" representative, debating revision of the surtaxes on incomes. The passage is not lifted from the *Congressional Record*, and the man who wrote it, far from being a Tory, was a conspicuously "advanced" thinker in his time. Writing more than twenty-two centuries ago, Aristotle said many things which apply neatly to present-day conditions. He discussed foreign trade and immigration and what we in this country, nowadays, call "Americanization." He made some sage observations on Socialism, which is a theory about as old as organized society, and he devoted a good deal of thought to the importance of the middle classes. He gave some instances of monopoly and cornering the market, which were devices not new in his day; and he realized the vital part education must play in "organized self-control," as democracy was to be defined by a political philosopher who is still living.

Nor was Aristotle unacquainted with the wage problem, although he lived in a day of slaves. "The avarice of mankind is insatiable," he complained; "at one time two obols was pay enough; but now, when this sum has become customary, men always want more and more without end." He lamented that "the poor and rich quarrel with one another," and recorded that:

Dionysius was thought worthy to be a tyrant because he denounced Daphnaeus and the rich; his enmity to the nobles won him the confidence of the people.

Most of the ancient tyrants, Aristotle records, were originally demagogues. "In our day," he says, "when the art of rhetoric has made such progress, the orators lead the people."

These observations are culled from "Politics," the most widely quoted of Aristotle's vast output of writings, which covered a range almost universal. "Man is a political animal," as he observed; and this may account for the special interest manifested in what he had to say about the elements and aims of the State and various forms of government. The great preserving principle of States, he said, was "to have a care that the loyal citizens should outnumber the disloyal." And he added:

That which contributes most to the permanence of constitutions is the adaptation of education to the form of government, and yet in our own day this principle is universally neglected. The best laws, although sanctioned by every citizen of the State, will be of no avail unless the young are trained by habit and education in the laws of the constitution, if the laws are democratic.

Aristotle's influence on human thought is profound, even to the present day, and it is not too much to say that the founders of the American Government and the men who wrote our Constitution espoused this conviction

of the need for an enlightened electorate, even though they may not have attributed it to the Greek philosopher. He returns to it more than once. "No one will doubt," he says, "that the legislator should direct his attention above all to the education of youth, or that the neglect of education does harm to States"; and adds:

The citizen should be moulded to suit the form of government under which he lives. The character of democracy creates democracy, and the character of oligarchy creates oligarchy; and always the better the character, the better the government.

Suppose you turn from this passage to the first article in *THE NATION'S BUSINESS* for February of this year, and see how Dr. Charles W. Eliot carried the plea for a better education a step further, arguing that it was as important to our industrial as to our political structure. "Everybody sees now," he said, "that to cure and to prevent illiteracy are national interests of the liveliest sort, which ought not to be left to States or municipalities alone; so that effective steps will probably be taken to prevent illiteracy in the future by cooperative action in the National Congress, State Legislatures, and Boards of Education for States, counties and cities or towns."

Doctor Eliot is in accord with Aristotle in making physical training a coordinate branch of education. But Aristotle thought "gymnastic exercises" could be overdone. He noted that the Lacedaemonians "brutalize their children by laborious exercises which they think will make them courageous," and concluded that "education should not be exclusively directed to this or any other single end"; in which, unquestionably, Dr. Eliot would heartily agree.

Races which do not at once "acquire a common spirit" are, in Aristotle's opinion, a cause of the disintegration of States. For, as he says—

A State is not the growth of a day, neither is a multitude brought together by accident. Hence the reception of strangers in colonies, either at the time of their foundations or afterwards, has generally produced revolution; for example, the Achaeans who joined the Troezenians in the foundation of Sybaris, being more numerous, afterwards expelled them.

And he cites numerous other examples of the disadvantages of unrestricted immigration. "The only stable principle of government," he says, "is equality according to proportion, and for every man to enjoy his own."

From this it will be perceived that Aristotle penetrated the fallacy of communism, or socialistic possession of property. More than once he takes occasion to puncture the fallacy, as in this passage:

There is always a difficulty in men living together and having things in common, but especially in their having common property. The partnerships of fellow travelers are an example to the point; for they generally fall out by the way and quarrel about any trifle that turns up.

Property should be, as a general rule, private, Aristotle maintains; "for, when everyone has a distinct interest, men will not complain of one another, and they will make more progress, because everyone will be attending to his own business." Thus, more than two thousand years before the present industrial system came into being, Aristotle set forth the advantages of private initiative! One effect of the common ownership of property which Aristotle saw and to which reference is seldom made nowadays is that it annihilates a certain sort of generosity. "No one," he says, "when men have all things in common, will any longer set an example of liberality or do any liberal action; for liberality consists in the use which is made of property."

But Aristotle believed in small holdings of property, and he had great faith in what the Socialist and Bolshevik nowadays call the bourgeoisie. He was strong for the white collars. In some quarters the belief is gaining ground at present that the middle class will emerge, after being ground for a long time between the upper millstone of capital and the nether millstone of organized labor, and will assume real power. In the middle class, it is obvious, rests most of the wealth and most of the brains of the world. Its potential power is enormous. Aristotle thought its political power and virtue surpassing. He says, for instance:

The Best of the Three

NOW in all States there are three elements; one class is very rich, another very poor, and a third in a mean. It is admitted that moderation and the mean are best, and therefore it will clearly be best to possess the gifts of fortune in moderation; for in that condition of life men are most ready to listen to reason. But he who greatly excels in beauty, strength, birth or wealth, or on the other hand who is very poor, or very weak, or very much disgraced, finds it difficult to follow reasoning.

Of these two, the one sort grow into violent and great criminals, the others into rogues and petty rascals. And two sorts of offences correspond to them, the one committed from violence, the other from roguery. The petty rogues are disinclined to hold office, whether military or civil, and their aversion of these two duties is as great an injury to the State as their tendency to crime. Again, those who have too much of the goods of fortune, strength, wealth, friends, and the like, are neither willing nor able to submit to authority. The evil begins at home; for when they are boys, by reason of the luxury in which they are brought up, they never learn, even at school, the habit of obedience. On the other hand, the very poor, who are in the opposite extreme, are too degraded. So that the one class cannot obey, and can only rule despotically; the other knows not how to command and must be ruled like slaves.

Thus arises a city, not of freemen, but of masters and slaves, the one despising, the other envying; and nothing can be more fatal to friendship and good-fellowship in States than this; for good-fellowship tends to friendship; when men are at enmity with one another, they would rather not even share the same path. But a city ought to be composed, as far as pos-

sible, of equals and similars; and these are generally the middle classes. Wherefore the city which is composed of middle-class citizens is necessarily best governed; they are, as we say, the natural elements of a State. And this is the class of citizens which is most secure in a State, for they do not, like the poor, covet their neighbor's goods; nor do others covet theirs, as the poor covet the goods of the rich; and as they neither plot against others, nor are themselves plotted against; they pass through life safely. Wisely then did Phocylides pray, "Many things are best in the mean; I desire to be of a middle condition in my city."

Thus it is manifest that the best political community is formed by citizens of the middle class, and that those States are likely to be well administered in which the middle class is large, and larger if possible than both the other classes, or at any rate than either singly; for the addition of the middle class turns the scale, and prevents either of the extremes from being dominant. Great then is the good fortune of a State in which the citizens have a moderate and sufficient property.

"The legislator," says Aristotle, "should always include the middle class in his government." If the laws are to be democratic, the legislator should "try to attach this class to the State." Holders of office should be "freemen and taxpayers"; and the good citizen "should know how to govern like a freeman, and how to obey like a freeman—these

are the virtues of a citizen." And he held that "governments which rule with a view to private interests, whether of the one or of the few or of the many, are perversions."

Even in Aristotle's day, it was clear that foreign trade made possible a higher standard of living and that one-way trade was anomalous.

It is necessary that they [the citizens] should import from abroad what is not found in their own country, and that they should export what they have in excess: for a city ought to be a market, not indeed for others, but for herself. Those who make themselves a market for the world do so only for revenue, and if a State ought not to desire a profit of this kind it ought not to have such an emporium.

The market, in other words, should be under private, not State, management. But cities as a whole found such markets to advantage, as Aristotle saw. "Cities thus situated," he said, "manifestly reap the benefit of intercourse with their ports; and any harm which is likely to accrue may be easily guarded against by laws, which will pronounce and determine who will hold communication with one another."

It was foreign trade, indeed, which gave rise to the use of money, as Aristotle makes plain. Originally the members of the family had all things in common, but in a more di-

vided state of society they had to barter certain things they made or cultivated for others they wanted. The later form of exchange grew out of this, Aristotle says:

When the inhabitants of one country became more dependent on those of another, and they imported what they needed, and exported the surplus, money necessarily came into use. For the various necessities of life are not easily carried about, and hence men agreed to employ in their dealings with each other something that was intrinsically useful and easily applicable to the purposes of life.

In the review of "Speculation and the Chicago Board of Trade" which appeared in the June number of this magazine, two passages were cited in which Aristotle referred to what we regard as "high finance," and they need not be repeated here. It was Thales of Miletus, a philosopher, who established a corner on olives, and he made the coup, so Aristotle says, because someone reproached him for his poverty. Thales undertook to prove that genius needn't starve in a garret, and "made a quantity of money." "He is supposed to have given a striking proof of his wisdom," says Aristotle, "but, as I was saying, his device for getting money is of universal application, and is nothing but the creation of a monopoly."

Listening in on Congress

Wit and fancy rescued from the *Congressional Record* and presented here as a picture of our lawmakers as they struggle to get the will of the people on the statute books

SUMMER DAYS, long and very hot, descend upon the Capitol. The Senate chamber is not the coolest place in town—thanks somewhat to the fact that its designer made it an inside room. The Senators being human, and very warm, would like to knock off work awhile and return with cooler weather. But there is much to be done, and collars grow limp as they debate the matter of a recess. The gentleman from Florida, Mr. Fletcher, thinks they ought to carry on and illustrating his point, tells a story:

Can we do anything? At least, in my humble judgment, it is our duty to stay here and try. Let us go on with this work.

That suggests a story I read once about an Englishman who, walking along the street in Boston, observed, in front of a restaurant, a carte de jour which had on it "Beefsteak, 30 cents." He was a little hungry, so he walked in and took his seat at a table. Soon a girl with a black skirt and a white shirtwaist and white apron appeared to take his order, and he said, "I want some beeksteak." The girl replied, being from Boston, "The beefsteak is all over." He, being an Englishman, responded, "All over what?" She, in true Boston style, answered, "All over with."

I say, let us stay here and do the things we should do until we get it "all over with."

When Is a Mule Manufactured?

THE SENATE is discussing the Norris bill. In an unguarded moment the gentleman from Arkansas, Mr. Caraway, asks the gentleman from Georgia, Mr. Watson, whether there is any difference between "farm products and agricultural products." And the gentleman from Georgia:

There are considerable differences. In one section like Kansas or Missouri, for instance, the production of mules may be the principal industry of a farm,

Mr. CARAWAY. Could you call a mule an agricultural product?

Mr. WATSON. You might if you called him a farm product. It is produced on the farm. If you do not produce him on the farm, where do you produce him?

Mr. CARAWAY. You usually produce him on the range in Missouri.

Mr. WATSON. What is your range but a farm on a large scale?

Mr. CARAWAY. No, it is outdoors, where it has never been cleared.

Mr. WATSON. So is a farm outdoors. I have never yet seen a farm inside.

Mr. CARAWAY. Is a mule a farm product in Georgia?

Mr. WATSON. When he is raised on a farm, is he not a farm product, like a calf or a pig or a lamb? If he is not a farm product, what sort of a product is he? What is a mule in his manufactured state?

Mr. CARAWAY. I do not know what he is. I never saw it. If he is a white mule, I rather think in Georgia they would produce him in a still.

Mr. WATSON. I never saw a white mule, but I could answer that a little more personally, but it would not be courteous.

Which Is the Talkative Sex?

IS THERE anyone who, having given to woman the right to vote and most everything else she wants, still denies her a sense of humor and refers to her as the talkative sex? If there is one, let us call to his attention Miss Alice Robertson, Representative in Congress from the State of Oklahoma and sole representative of her sex in that body.

Miss Robertson, having talked briefly but effectively in favor of a bill for the monthly payment of pensions, thus closes:

I am not going to talk any more. I try not to talk very much, for silence is golden

[applause], and I realize that every extra word we speak here makes that much more expense to the United States Government. [Laughter.] Some of us might begin, as I shall begin now, to save money by stopping. [Applause.]

Eminent authorities disagree not only as to the value of Congressional time but as to the value of Congressional investigations. Senator Shields, of Tennessee, has a definite opinion of the value of one on which he was engaged some time ago. A resolution was before the Senate to authorize the Committee on Education and Labor to make an inquiry into the West Virginia mine riots, and Senator Shields recalled a previous mission:

Mr. SHIELDS. Mr. President, of course no man's memory is infallible, but the Senator from Idaho [Mr. BORAH] and I remember the facts of this Cabin Creek and Paint Creek investigation entirely differently. I went out there very much interested; but, according to my recollection, I found out that the whole matter had been practically settled between these parties and peace restored. The Senator from Virginia [Mr. SWANSON], the chairman of the committee, distributed the work among the several members of the committee to report upon the different subjects of the resolution.

I believe the matter of martial law was what the Senator from Idaho was to write about. I have forgotten what he wrote. I was so disgusted with the uselessness of the whole thing that, while I always like to hear everything he says and read everything he writes, I have no recollection of what he wrote on the subject.

Wisdom From the Forks of The Creek

SENATOR HARRISON, of Mississippi, has reviewed the achievements of the first three months of the new administration and has found nothing to admire. As he finishes, Senator Watson, of Georgia, rises.

Mr. President, I hope that no Senator will object while I ask to have read at the desk a letter from a Georgia Negro, a one-horse tenant, written to the editor of my home-town paper and published in that paper in the State, of course, which in part I represent.

The Assistant Secretary read as follows:

DEAR MR. EDITOR: Allow me to speak to the colored subscribers of the McDuffie Progress about the conditions we are now living in.

Instead of complaining about the condition, get busy and prepare for the future. Now is the time to fatten the pig for your next year's meat. While the grass is growing, pull grass, pull weeds. It don't take corn alone to make meat. There is more lard in trash for hogs in summer than lard in corn in winter.

Get busy! Get it out of your minds about you don't know what you are going to do. Get a move on you and show to the world what you are doing. Now is the time to prepare for the future. Plant your corn and fatten your hogs. Don't think it takes so many hogs to the family. I have six in family and I only kill two and three hogs for three years. We don't buy meat, lard, corn, nor fodder, by hustling from May until harvest time. I begin to plant as soon as the season will allow until the last of July or August 1.

I live on a little farm of Mr. W. C. Gibson's. I am cutting grain today and fixing to plant peas and corn. I live 12 miles from town.

I will renew my subscription soon, Mr. Editor. If this is not fixed right, please fix it. From a Georgia farmer. I lives in the forks of the creek.

MADISON EMORY.

Government's "Commission Business"

THE LISTING of industries in order of size is a pastime of doubtful value but it never ceases to interest some statisticians. We read that "the motion picture industry has now become the third largest in the United States," when along comes another man who claims that place for the pickle makers or the dealers in waste. Senator Fernald, of Maine, has a claimant for sixth place. He is discussing the proposed packer regulation:

MR. FERNALD. You go over this country from one end to the other, and you will hear one slogan from the farmers: "Why don't you economize? Give us some economy." And, my dear Senators, instead of economizing, we have been going on here creating commissions and making places now for deserving Republicans, making places in the past for deserving Democrats. You create this commission, and inside of five years it will cost a million dollars a year, at least, and there will have to be places for five or six hundred deserving Republicans.

Why, this reform business has gone on, Senators, to such an extent that it is getting to be about the sixth largest industry in the United States. It is surpassed only by the steel and iron and cotton businesses and agriculture and printing.

All you have to do to start a reformation down here is to create commissions.

MR. SMITH. Mr. President, does the Senator mean that the Government commission business has gotten to be the largest?

MR. FERNALD. Yes; it has gotten to be the largest in the world. I used to think, as a young man, that beginning a reform was a sort of indoor duty; that it ought to begin at home; that everybody, if they were going to reform their habits, should begin at home; but I find that I was entirely mistaken on the subject. It is an outdoor sport, and you have to create a commission down here, and you have to have \$10,000-a-year men. You can not have men who are paid any less.

Investigating Committees are a sore point with some Senators. Mr. Myers, of Mon-

tana, sorrows at their prevalence but recognizes that it is in vain to oppose them:

MR. MYERS. It is a thankless task to oppose a resolution of this kind, and probably a futile task, because the disposition of Congress is to give, give, give, give to everybody who wants anything. Give everybody everything they want is now the motto in Congress. Give away everything! The popular thing in Congress nowadays is to vote for everything anybody wants. Never oppose anything! It is unpopular to do so.

I believe if half a dozen women or half a dozen men would come around the Capitol and interview Senators and demand something in the name of an alleged large number of organized voters, they could get anything they wanted, from the creation of a new department of the Government, with a Cabinet officer to preside over it, to an investigation of a dishwashers' strike at the Willard Hotel in this city. I believe that if there was a dishwashers' strike at a hotel in this city and some representatives of the strikers would come around and, in the name of organized labor, demand an investigation of it, they would get an investigation by the Senate.

The people who want these things usually constitute a small, organized, militant minority. They represent a minority and they get what the minority wants, when, as a matter of fact, if the issue were plainly understood by the entire American people I think ninety-nine times out of a hundred a majority of the people would be against granting these concessions. Almost invariably Congress gives what a minority demands, not what a majority of the people want. We are ruled by the minority.



John Sharp Williams, of Mississippi, chides the Senator for a lack of progressiveness. He would go farther—much farther.

MR. WILLIAMS. Mr. President, the Senator from Montana and I are old fogies. We have not yet found out that the States have neither sovereignty nor jurisdiction, and that the States are not respected in this body.

But, leaving that out as a side issue, Mr. President, the Senator from Montana has made a great mistake. He is not on the front line of modern progress—progress verbally. He is not in the front rank of the uplifters and the "progressives," where he ought to be. This resolution is not objectionable because it goes too far, as he seems to think; it is objectionable because it does not go far enough. We have already had one committee to investigate the conditions in the coal region of West Virginia, and it edited an enormously large report and sent a bill for an enormously large sum of money to the Senate to be paid out of the contingent fund.

I remember that one item of the charge was that a lot of mountaineers summoned to give testimony had spit all over the carpets and had ruined the sofas in one of the hotels in West Virginia, and the United States Government was called on to pay for that damage as one of the incidental expenses of the investigation.

The Senator has made a mistake. He ought to have objected to this because it did not go far enough. What we really need is an investigation committee to investigate investigation committees. We need especially a committee to investigate the former investigation committees of various sorts to determine what they have done and why they did it, what they said or why they did not say it, and how it came about that they did or they did not do or say something.

Then, after we are through with that, Mr. President, we ought to have a commission on commissions. I want, above all things, a supreme or appellate commission on commissions. I offered a bill about two years ago for a commission to investigate other commissions, to determine their raison d'être, and the probable date of the end of their activities. Now, you start a lot of commissions, and a commission goes on forever. It may be possible that there is an argument against the immortality of the soul, but there is no possibility of argument against the immortality of a commission.

I had an old friend once who was placed upon a commission to determine certain things with regard to the District of Columbia. He was the father of a distinguished Senator now in this body, but he was a Member of the House at that time. I went to him once and said, "Judge, when is that commission going to finish its work?" He said, "John, I don't know exactly; but my doctor tells me that I am not in very good condition physically, and I hope to make its work last as long as I last," and he did. It lasted until after he was buried, and then the remnants of the commission brought it to a conclusion under a murderous assault of the House of Representatives.

I am in favor of government by commission. I think that is a government by experts that gets rid of Senators and Members of Congress and the common, ordinary herd of common people. What I want is government by commission, but I want also a supreme court of investigating committees and commissions to investigate the other investigating committees and the other commissions, and at least to determine when the cases before them have been concluded.

Facts and Foreign Investments

Some of the conditions that must be counted on when Europe comes to us for further financial help; German indemnity bonds and the American market

By **GEORGE E. ROBERTS**

Vice-President, National City Bank, New York

IT IS a common opinion abroad that the wealth of the United States was greatly increased by the war, but that is a fallacy. The United States was growing in wealth before the war, and there is good reason for believing that this growth was checked rather than stimulated by the war.

It is true that during the first years, and before entering the war, as a combatant, the nominal wealth of the country increased very rapidly, and the real wealth also increased at greater than the normal rate. But after the country entered the war its own expenditures were very great and the deterioration of property and loss of normal development was very serious. Moreover, a large part of the profits made during the period of rising prices has been lost in the period of falling prices and the country is now experiencing in idle industries, business depression, unemployment, and forced bankruptcies, a reaction which is costing an amount that can not be measured.

We are paying now the natural penalty of abnormal prices and abnormal profits, and when we are through with it the record is likely to show that, as in every other such experience, the balance is in red. We have a great body of internal private indebtedness represented in post-war financing, but more largely speculation and extravagance induced by the rise of prices. Our people now face the necessity of liquidating this indebtedness with products at low prices and business stagnant and unprofitable.

Europe has found it necessary to pay high interest rates upon its borrowings from us; we see the terms commented upon as "extortionate." But these loans must be offered upon the public market and it is useless to offer large issues in any market of the world at less than the current rate for good home securities in the same market. It is not the fault of the American banker that interest rates are high; it is his business to give the best advice he can as to the requirements of the market, and it is enough to say in vindication of his advice in the past that the European issues, which have been placed on the American market heretofore, may be purchased today at an average of practically the original issue price. A few are slightly above, but more are below.

During the war our development work was checked by the fact that the Government loans aggregating about \$25,000,000,000 swept up the available funds, so that now every part of the country is in need of capital for local improvements. We are needing to build houses, to spend large sums upon our railroads and public utilities.

The competition for capital for these purposes has made interest rates high, and the new offerings of securities at such rates has had the effect of depressing the entire list of outstanding securities and stocks, so that they yield high returns upon present values.

WHEN business leaders of the world met at London recently to consider ways and means of restoring the world's commerce, the American delegation sensed an undercurrent of opinion that the United States had profited immensely by the Great War and was, if not a niggard, at least a laggard in the tremendous work of reconstruction. To Mr. Roberts, a member of the finance group, fell the task of facing an audience, skeptical and cold, and telling the facts of our situation. It has been reported in these columns how salutary was his effort both on delegates and the foreign press. We present his statement here not alone because of the dramatic setting in which it was first delivered, but in the belief, as one American delegate enthusiastically put it, that "this analysis would be intensely interesting to our own people at home."—THE EDITOR.

Other factors in the situation are heavy taxation and the fact that municipal securities, and, to some extent, the obligations of the Federal Government are exempt from taxation. The total amount of securities wholly exempt now outstanding is estimated at approximately \$15,000,000,000, and is constantly being increased by new issues.

The United States Government issues that are totally tax-exempt yield at the present market $3\frac{3}{4}$ to $4\frac{1}{4}$ per cent, and other Federal issues 4.60 to 5.60 per cent. Municipal securities pay a tax-free income of from $4\frac{1}{2}$ per cent in the case of certain choice issues, up to 7 per cent in the case of numerous small cities whose credit is not so widely established, but nevertheless is perfectly good.

The presence of this large body of tax-exempt securities has the effect of practically eliminating investors of high incomes as buyers of securities subject to taxation. To an individual with an income subject to our maximum tax, an exempt 4 per cent Federal or municipal bond yields an equivalent of 14.81 per cent interest. Conversely a taxable 7 per cent investment such as a real estate mortgage, an industrial or railroad bond, or a foreign government bond, after tax payments actually yields less than 2 per cent. This calculation is based on Federal taxes only and there is local taxation to be considered besides. Many of the States have income taxes, the maximum rate in New York State being 3 per cent.

This statement of conditions in America is not made for the purpose of discouragement, but in order that there may be a good understanding. The bankers and business men of the United States who expect to exert themselves actively to the end that their country will come with all the strength it can summon to the relief of this world situation want the conditions understood.

The capital which the world needs can be largely supplied from the United States; the potentialities are there; but they are scattered

over a great continent and are in the hands of millions of people whose interest and cooperation are necessary. The main body of these people live in the interior, back from the Atlantic Coast, some of them as far west as New York as New York is west of London. Europe is very remote to most of them, and their relations are indirect and not intimate. It looks like a long way for them to go to invest money that just now they need very much in the management of their own affairs.

It is a question how far an appeal addressed to them by the business interests of the eastern seaboard will move them, for they do not by any means consider the interests of the eastern cities as identical with their own. They are a people of high intelligence and will respond eventually to the necessities of this situation, as they did to the conditions which brought America into the war, but

nobody can speak for them but themselves, and the very nature of the situation is such as to present difficulties in obtaining from the whole country prompt and coordinate action. It cannot be done offhand; it depends upon the spread of public sentiment over a large area. You must take America as she is, and judge her by the conditions which make her what she is—for the same conditions probably would affect any other people in like manner.

America has welcomed the settlement on the terms of the Reparations Agreement, and accepts the declarations of the German Government of its purpose to pay, as made in good faith. It believes the terms to be just and that they should be strictly carried out if economically possible. American financiers, however, have viewed with concern the statements emanating from several countries to the effect that the Reparation Bonds would be offered in the United States. From their point of view it would be unfortunate to have them introduced into that market.

In the first place they are 5 per cent bonds and the American market at this time is on an 8 per cent market for the best of foreign securities. There is room to believe that the German bonds would not rank in this class. The sentimental appeal would not be as strong for them as for allied bonds standing alone, and without raising any question about the German purpose to pay, the undertaking of one country to pay so large a sum outside of its own borders and in foreign monies must be regarded as more or less of an economic experiment. Its success depends not only on the ability of Germany to export goods, but upon the willingness of other countries to import them.

It is impossible to say in advance what effect such a volume of exports from Germany will have on world markets, or what the attitude of countries toward them will be. It is not clear even what the attitude of the countries receiving indemnity will be

toward German exports, and the neutral countries may be pardoned for reserving their opinions.

Having regard for the low interest rate as compared with current rates in the United States, and also for the other features of the situation, it is certain that the Reparation Bonds would have to be sold at a low price to be moved in that market. If anything like a competitive situation developed among sellers, with so large a possible supply, the market might be demoralized. In short, it would be easy under the conditions to spoil the market not only for these bonds but for foreign offerings generally, and seriously interfere with all efforts to aid the European situation.

How Our Bankers Feel

AMERICAN bankers feel that it would be unfortunate to have these bonds offered in a market that was not receptive to them, and sold at low prices. The countries receiving them as indemnity would be disappointed and critical of America for what would be regarded as extortionate terms, and Germany probably would be aggrieved over being compelled to pay so much more than was actually realized by the recipient countries.

In all likelihood it would be said on all sides that the United States, which professed to want no indemnity at all, had found a way to obtain the lion's share. The prospect would seem to be good for the United States to get itself thoroughly disliked in all quarters. We wish to avoid that.

The question of the indebtedness of the several Allied Governments to the Government of the United States, amounting in aggregate to approximately \$10,000,000,000, is another delicate subject. We are aware that a great many people think that for various reasons there should be a cancellation in whole or in part of this indebtedness. There are supporters for the proposal in the United States, but candor would compel us to say that there is no large body of pronounced opinion in favor of it at this time.

It should be understood that the executive branch of the Government of itself has no power to alter the conditions laid down in the Act of Congress granting authority to make the loans. That means that nothing can be done except by action of the representatives who come directly from the people, and it is quite certain they will not act in a matter of so much importance without a definite expression of consent and approval by their constituents. At present it must be said that the American public is not convinced either that justice to its late associates requires that America should assume this additional burden, or that the emergency confronting the debtor countries is so great as to require cancellation in order that they may regain a sound economic position.

Here again we would repeat that the attitude of the American people is probably just what that of any other people would have been under similar conditions. Most of them were a long way from the conflict, they have never felt that they had any responsibility—historical or otherwise—for its beginning, or that they were as vitally related to it as the peoples of Europe. That does not intimate that they laid blame for the war to their associates, but simply that they considered themselves fortunately placed outside the area of European controversies, and that they were entitled to the immunities of their position. They entered the war, as they felt, for just and righteous reasons and cheerfully made heavy expenditures of life

and money over it, but they have never felt that primarily it was their war.

That reasoning may appear superficial and fallacious to people who view the situation from a different position, but that is about the view they have had from their position.

On the other hand, it does not follow from this view that the American people have any disposition to pursue a harsh and peremptory policy about these loans. They have postponed temporarily the claims for interest payments, and at the instance of the present Administration a bill has been introduced in the Congress giving the Secretary of the Treasury plenary powers to extend the time of payments upon principal and interest. Public opinion doubtless will approve of every act of accommodation that is necessary to handle this indebtedness in such manner that it will not embarrass the debtor nations in their recovery.

Aside from the disposition of the American people to follow this course from motives of friendship and consideration for their late associates in arms, there are other reasons why they should do so, some of which may give even greater assurance than these statements of mine.

There is a natural equilibrium in economic affairs which, in the long run, is bound to be maintained. There is an altruism in the economic law which prevents an individual or a nation from absorbing wealth without limit. Before the outbreak of the war the world owed Great Britain approximately \$20,000,000,000, but that indebtedness was giving nobody any concern, because Great Britain continued from year to year to reinvest the income largely in the same companies.

The United States as a creditor country will find herself compelled to follow the same policy. The United States is a great exporting country. With her vast productive capacity she is anxious to increase her exports, but finds herself today confronted in every foreign country by exchange rates which put her at a disadvantage in the competition. It is impossible in the nature of trade for any country to maintain and collect such a balance of payments in her favor as the United States has at the present time. If in connection with the present state of trade the United States should ask for the payment of accruing interest upon these loans, and the debtor governments should go into the markets and attempt to gather up exchange to make the payments, the effect would be to raise exchange rates on New York still higher.

In short, the United States can not afford to accept payments of either principal or interest from the debtor governments at this time. It will handicap and imperil its own trade by doing so, and if the time ever comes when it can accept such payments without injury to its own trade, by that token the situation will be such that the payments can be made without hardship to the debtors.

The British Coal Peace

THE COAL STRIKE in England lasted for three months and was ended through an agreement to which owners, miners, and the Government are parties.

Under this agreement the profits owners are to get are stated as a percentage to payments in wages, and the pre-war ratio is taken. This percentage in pre-war years was 17. Consequently, for every \$100 received by miners in wages the coal operators are to have \$17 in profits. In any surplus that remains, the miners and the owners are to

share proportionably, the miners taking 83 per cent and the owners 17. This is probably the most extensive application of profit-sharing that has yet been made. One of its purposes is undoubtedly to induce the miners to increase their output; before the strike, the low production of the men had a great amount of public attention.

The new plan, which by its terms is to continue until 1922, will go into full effect at the end of September. Meanwhile, there are to be reductions in wages in each of the three intervening months, the total not to exceed \$1.87 during the period to the end of September, if British currency is converted to American at par of exchange. The reductions in wages as paid by the mines may be greater, as the wages are to be determined as a percentage of the proceeds of the industry in each of the districts that have been created, but from the miners' point of view the reduction will not go below a total of \$1.87, as the Government for three months grants a subvention for wages that is applicable to keep wages from going below the established point.

The amount made available by the Government for this purpose is £10,000,000. To this subvention the British House of Commons agreed without discussion.

The Profits Tax on Coal

FROM the excess-profits tax on the coal industry the British Government has obtained a total revenue of £25,000,000, according to the London Statist. Control of the coal industry during the war cost £16,250,000. If all of the £10,000,000 for subvention of miners' wages is paid out, the British Government will be poorer by a million and a quarter pounds sterling than when it began.

The coal trade has been the backbone of British commerce. The results of the strike have accordingly been far-reaching. On July 1, when the strike came to an end, there were half a million tons of American coal on the way to the United Kingdom. It was being carried largely by American vessels, too. British steamers in large numbers have been anchored up rivers and other places where boats without anything to do usually find themselves. If one of these vessels was chartered, it had to be got ready for sea, sent to Holland or Belgium for coal to fire its boilers, and cross the Atlantic at an average of two knots an hour less than it would make on Welsh coal. That was too long a process to permit competition when a cargo of coal was wanted quickly.

The British have attained some realization of American facilities for loading coal. One journal devoted to maritime affairs has observed that the Welsh ports when working at their best capacity could scarcely do so well in despatching coal as our Hampton Roads.

Coal prices in different countries are having attention in England, because of the high cost of production in England. There has been published a table, which in outline runs as follows, with the prices in British money:

United States,		
run-of-mine, May		9s 6d-14s
France,		
run-of-mine, June		28s
Belgium,		
run-of-mine, June		39s
Germany,		
factory coal, May		22s 6d
United Kingdom, June 20		
Best admiralty		43s-47s 6d
Best steam smalls		34s-35s
Cargo smalls		29s-32s 6d

Prices and scarcity have led the British Society of Mechanical Engineers to take up the whole question of making coal go further.

Salvaging the Shipwreck

Albert D. Lasker ought to make a success of his newest job since he has specialized in the handling of business concerns that were headed for the rocks

By WILLIAM ATHERTON DU PUY

ALBERT D. LASKER, new Chairman of the Shipping Board, has taken charge of what he himself styles the most colossal commercial wreck the world ever knew. His job is to salvage this derelict of the war.

One runs back but to 1880 for the beginning of Albert Lasker. He has put much behind him and come to a high post at the age of 41.

In 1880, in the town of Freiberg, Germany, up by the Swiss border where people go for their health, Albert Lasker was born. No, he was not a German by birth, but an American. His mother was in poor health and had gone over for treatment. She was American born and her husband was an American citizen though he had originally come from Germany. So the boy, in his citizenship, is not disbarred from the presidency, though this is a post which has never come to one of his race, which is that of Baruch and Brandeis and Desraeli.

The Laskers lived in Galveston, Texas, and it was in that island city, then unprotected by its sea wall, that the youngster put forth the pin feathers of talent. He delights in the remembrance of his initial success with printers' ink. He was but twelve years old when he began its use but even then he operated as an independent. He started a paper of his own, a little weekly which dealt largely with sports and amusements. There is a front sheet of it, under glass, in his office in Washington today. He operated it for four years, writing all the copy himself, soliciting the advertisements, collecting the bills. It paid its way and yielded large profits in experience which he later capitalized.

It was because of his experience on this small sheet that he became a dramatic critic for a Galveston daily at the age of fifteen. One night there was a show at the opera house that he had seen before so he wrote his criticism in advance and went over to Houston, forty miles away, passes on the railroads then being easy to procure, to call on a young woman who had arrested his wandering eye.

Next morning he got a copy of his paper. The front page was covered by a story of the burning of the opera house. On the back page, however, all formal like, was his conventional criticism of a performance that had never taken place.

Young Mr. Lasker found a way to make money even out of newspaper reporting in Gal-

veston. He made a deal with the editor to work for him for nothing, but upon one condition—that he might have the right to use outside of Galveston the stories that came over the state news desk. So, as information trickled in from here and there, Mr. Lasker picked out the items that were interesting and sent them to outside papers. He soon had a clientele that brought him in more money, he says, than the editor of the sheet was making.

At the age of 18 the spur of ambition was riding this young reporter hard. Galveston was becoming a field too restricted for his operations. He looked to New York as the land of opportunity. He managed to establish contacts and arrange for a place as re-

porter on the old New York Herald.

But the elder Mr. Lasker frowned upon news reporting as a career. He had friends in an advertising agency in Chicago. He insisted that the boy would find better opportunity there. He induced him to go past Chicago on his way east and look this situation over. The youngster did so. He took a job with Lord & Thomas, doing work that was little better than that of messenger boy. In four years, at the age of 22, he was drawing a salary of \$1,000 a week. Within a decade he was owner of this agency which had grown to be one of the biggest in the nation, with branches in New York and San Francisco, and had advertisement writers on his staff who received more pay than does the President of the United States.

But Albert Lasker was not an advertisement writer. There are two phases of this business, he says, ad writing and ad campaign directing. The latter was his field.

In his early campaigns he worked for fees or for percentages of the business developed. It fell to his lot to take hold of several propositions that were comatose and rehabilitate them. He got commissions of 15 or 20 per cent. He analyzed these accomplishments. Why, he asked himself, should we not buy these industrials that were on the rocks and rehabilitate them?

Here was the idea upon which the ultimate Lasker fortune was founded. One of his first acquisitions was a brand of pork and beans which is today as well known as any in the world. It was struggling for its existence, barely managing to keep afloat. Mr. Lasker acquired it. He mapped out advertising campaigns which he could handle through his agency well and economically. He turned on the power. It was but a little time before the pork and beans plant had turned the corner. Pretty soon it was making handsome profits. Not long ago Mr. Lasker sold it at a price which is reported to have been \$11,000,000.

The success of this undertaking was duplicated in the case of a breakfast food which has the lowly oat as its basis and which is marketed in the name of a

certain peaceful people. It was made to yield stupendous sums of money through advertising campaigns. It was to be expected that so inviting a field as that which provides automotive transportation to the multitude should call to him. He is part owner in the factories of several of the well-known makes of automobiles. He even holds proprietary interest in so novel a thing as the Chicago Cubs, contestants in the great national game. A friend of



© Harris & Ewing

This is what the new Chairman of the Shipping Board looks like

Albert Lasker who knows him well told me the other day that this young man had, since he came out of Galveston, accumulated and laid away for himself the not inconsiderable sum of \$35,000,000.

It was Will Hays, one time Chairman of the Republican National Committee and now Postmaster General, who first induced Mr. Lasker to try his hand in politics. Mr. Lasker was not acquainted with Mr. Hays but he had resuscitated an expiring industry down Indiana way and Hays had known of the operation.

This was back in 1918. The Republican party had been, since 1912, in a position a good deal like that of an industry whose product did not sell. Mr. Hays asked this rehabilitator to come down and take a look at the patient. He did so. He thought that the methods of efficient advertising might be applied with satisfactory results. He began to direct publicity for that party, and was still directing when, on November 4 last, a lot of folks gave evidence at the polls that the party had, in one way or another, been put on its feet.

The Harding administration found that it had many problems which had hung over from the war and which were nebulous and void and hard to tie a string around.

Its Shipping Board, for instance, was a mushroom organization that had grown in

a day, to perform a stupendous task the occasion for which had disappeared. Gone likewise were most of the men in authority who knew the detail of its organization. Gone was the inspiration which drove men to such undertakings.

"Where," said the President, "is a man to be found to preside at this wake, to settle the estate of the deceased?"

A number of men were canvassed, men big enough for the task, but these men had problems of reconstruction of their own from which they could not escape. Finally, the chief executive turned to Mr. Lasker. Being pressed and being of that venturesome disposition which is fascinated by tasks that are difficult, he finally consented. He came to the task on the theory that it was a job in business organization and that technical knowledge could be bought.

A strapping big youngster is this man Lasker—six feet tall, weighing 180 pounds. He is black-eyed and olive skinned with curling jet hair that is thinning above his forehead. Out in Chicago he used to wear suits given to plaids and socks and neckties that shrank not but proclaimed their coming. It was advertising stuff in key with the calling he followed. But now that he is a Government official the tone of him has changed, has become more sedate, approaching the melancholy.

Here are some of Mr. Lasker's ideas concerning the job he has tackled:

"The biggest privately owned fleet known today has, I think, 107 ships in it. Leaving out the wooden boats, we have 1,440 ships. It is no secret that our business and organization are not in smooth running condition; and no one man could possibly solve the problems presented, both because of lack of time and because they present such diversified problems that no one mind could grapple with them.

"We have scores of millions of property to salvage, and we will undertake to do that in such a way and at such a time that we will get its true worth.

"The President, the Jones Act and the Shipping Board are all in accord that the Shipping Board must function so as to turn these boats over, as soon as good business judgment dictates, to private owners. Unless Shipping Board boats are very soon operated along the most correct business lines, we will not have any operators or owners left in America who can buy these boats. The operators and owners unanimously feel that way; and to get Shipping Board operations on an efficient basis is the quickest and shortest step to creating a situation whereby private people can buy these boats and get the Government out of Government ownership."

A Bill Payable in Human Life

Industry is fast learning the cost of carelessness and that the cheapening of life is a most expensive thing; the human side and the money side of a great movement

By MELVILLE W. MIX

President, Dodge Manufacturing Co., Mishawaka, Ind.

ABOUT eight years ago a handful of men got together at Milwaukee and organized what they then called the National Council for Industrial Safety "to promote the conservation of human life and its incidents in the industries of the Nation." The growth of this little organization to the National Safety Council of today is proof of the fact that there are in this Nation's business such things as true cooperation and self-sacrifice, for only such spirit could have made possible the growth of a non-commercial association devoted to accident prevention and industrial health work from a membership of 14 in 1913 to a council of some 4,000 employers who operate more than 8,000 factories, mines, railroads, public utilities, and other industrial enterprises and employ more than 7,000,000 workers.

The movement, born and developed in America, is now spreading to every other country on the globe. England, France, Belgium, Norway, Sweden, Japan, China, Australia, Palestine and even South Africa have asked and secured America's help in organizing industrial and public-safety movements.

As far back as 1893 the subsidiary companies of the United States Steel Corporation employed safety inspectors and utilized what crude safety devices were then known. In 1904 the steel corporation issued the first safety rule book published in America and two years later the first standard safety device book. But it was not until 1906, when Steel Corporation's plants met for that purpose, that an attempt at an exchange of information and ideas regarding accident pre-

vention was made. Two years later the first central safety committee was organized among the executives of the steel corporation and the first intensive investigation into the causes of accidents was undertaken.

Then came twelve years of discovery for the men engaged in organized accident prevention work. The Steel Corporation, the Chicago and North Western Railway, the International Harvester Company, and the other pioneers in safety work got together first to exchange ideas, and finally to organize a clearing house which would bring all the available information on accident prevention to their fellow employers and competitors alike. The pioneers in the movement, far from looking upon such information as a valuable trade secret, shouted each discovery to the world.

What were some of the discoveries?

First, that accidents can be prevented. Eleven years ago the pioneers in railroad safety work were told "it cannot be done" and today an analysis of railroad accident statistics made by the National Safety Council discloses the fact that in ten years 37,000 lives have been saved by safety work on the railroads of the country. And railroad safety men say, "We are just scratching the surface." The next ten years will show a 50 per cent improvement over the record of the last ten years."

The discovery that accidents can be prevented brought a flood of legislation requiring the guarding of this, that, and the other thing and for a while employers felt that when all the belts, guards, set-screws and the casualty managers of all the United States

flywheel pits in their shops had been guarded their safety work was done. But they were soon disillusioned, for accidents continued—true, not in such great numbers.

The second discovery was more remarkable and, unbelievable as it may seem today, was a great surprise to the industrial executives of ten and fifteen years ago. It was the discovery that the great majority of accidents are caused, not by unguarded belts and gears, but by carelessness or ignorance of workmen and their supervisors—the discovery that mechanical guarding can be relied on to prevent only a third or a fourth of the total number of accidents and that for the prevention of the remaining two-thirds or three-fourths we must rely on education, training, and supervision.

Then came a third discovery, that safety work is not only humanitarian but good business. No one man claims credit for this discovery. It is something that every employer who puts in an efficient safety department realizes in his own way. This is how one of the pioneers of the movement says the realization came to him.

"One of our best workmen had been killed by the explosion of a high-speed emery wheel. A large piece of the wheel struck him in the chest and killed him outright. A simple guard that we might have made in our own shop at a cost of five dollars, would have prevented the accident. The death of this workman cost the company \$4,000 and left a widow and three children who promised to become public wards because of the inability of the mother to hold the family to-

gether. This accident haunted my mind for months—not only the hideous injustice done the mother and children, but the utter stupidity of the thing from the standpoint of cold-blooded business efficiency. That inquest marked the beginning of my interest in safety, and was one of the things which finally aroused my employer to organize safety."

When the safety director of the International Harvester Company rushed into the office of the manager of their steel plant one day and said that he had just been over at the Illinois Steel Company and had learned that in their first two years of organized safety work they had reduced deaths and serious injuries 65 per cent, his chief replied, "It can't be done. I don't believe it." And when the safety director insisted on telling just how the steel company was bringing about this reduction, his chief sent men to make three independent investigations. He found that what his safety director had said was true and immediately followed suit, with these results in the first twelve months:

Deaths were reduced from 4 to 1.

Serious injuries were reduced from 59 to 28.

Lost time was reduced from 92,000 hours to 49,000 hours.

And the saving in two years paid for the entire safety equipment costing \$46,000. Employers everywhere found that—crude as the safety work of those days was—it not only paid its own way by reducing lost time and labor turnover, but cut down compensation costs, insurance costs, and hospital bills.

Guards for Dangerous Machines

ANOTHER giant stride toward the elimination of accidents was the fourth adventure, the discovery that "engineering revision"—the redesigning of machines or manufacturing processes—would eliminate exposure to accidents. Safety men realized that, while it is well to put a guard on a dangerous machine or to teach the operator to be careful, it is better to eliminate the dangerous element of the machine. They realized, for instance, that while a punch-press guard may greatly reduce the number of fingers and hands cut off by the press, engineering revision—which, in this case, might mean merely the installation of an automatic feeding device or an automatic kick out—would make it unnecessary or impossible for the workman to get his hands under the plunger.

Engineering revision opened up still new and vast accident prevention possibilities which have been utilized by thousands of progressive manufacturers and it led to the fifth great adventure in accident prevention—discovery of the fact that accident prevention increases production. When manufacturers who use punch presses by the thousands equipped these machines with automatic feed devices—as a rule, simple homemade affairs—they had in mind only saving the punch-press operators' hand and fingers, but they found that in addition they had made it possible for the operator to turn out ten to 50 per cent more work. And so throughout industry safety men began to find that what had been considered merely as accident prevention was really an efficiency device. This was one of the most fortunate discoveries of all, for it did a great deal to break down the workman's opposition to safety devices—an opposition based on the mistaken theory that the safety device or revised process would interfere with his work or that it would cut down his output and thereby his wages.

When the United States entered the war safety came into its own. Then as never before did the cry go out for maximum production and minimum labor turnover. All

sorts of experiments were tried and many varieties of research in industrial management conducted. Then it was that the companies which had enjoyed well-organized safety departments for years before the war found themselves in a much more advantageous position than their fellow employers. It was during the war that manufacturers realized that safety work offered the first common ground on which employer and employee could meet without possibility of controversy and with inevitable profit to both. In fact, in many of the big industries the most effective industrial management organizations were built up on the foundation laid by the safety department. The employee who, by making his plant a safe and pleasant place in which to work, had demonstrated to his men that he was interested in them as human beings did not find it difficult to put in improvements in labor management. He already had his workmen's committees, his training schools for foremen and his mediums of contact between management and men.

By this time accident prevention work had become pretty well specialized; some of the best engineers of the country had been attracted to the field; and definite plans for installing and operating a safety department in any sort of an industrial organization had been developed and thoroughly demonstrated. Posters, prepared at the headquarters of the Council and distributed weekly to its members, began to appear regularly on plant bulletin boards. The Council began to distribute Safe Practices pamphlets—symposiums of the actual experiences of the companies which were doing the most successful safety work. Moving pictures, plant publications, and other means of bringing safety propaganda to the workman were developed.

Then came the realization that the accident experience of a plant depends not entirely on the workmen, but more largely on the foremen and the management. Employers discovered that to most workmen the foreman represents the management; they began to realize that unless the foremen are really won over to the safety movement the workmen never would be. Safety men, themselves, began to realize that until the management of the plant was wholeheartedly behind safety work—not merely in the matter of supplying funds, but in respect to personal interest as well—superintendents and foremen never would be.

Safety men began to discuss "How to sell safety to the big boss." Some said it could be sold best on the basis of economic considerations, others, on humanitarian considerations. Both were right. The fact is that

in the last five years the executives of American industry have become thoroughly convinced of the value of organized accident prevention, some because of the dollars-and-cents possibilities, others because they hated to see their men killed or injured.

Even today discoveries are being made in the science of accident prevention. Within the last year, for instance, there has been enunciated the principle that every accident is the symptom of an inefficiency; that everything which is really efficient is safe; and that every machine or process which is really safe is efficient. The truth of this theory has been demonstrated in actual practice by E. I. du Pont de Nemours & Company, the National Lead Company, and other members of the National Safety Council.

The story of the safety movement in America is a story of the success of cooperation where coercion had failed. A decade ago very little was being done to prevent accidents. That little was done reluctantly. And the reluctance was to a great extent due to prosecution by state labor authorities. Because of the policy of using the club and star, then universal among factory inspectors, there was no cooperation between employers and governmental agencies. The belligerent attitude of inspectors had the effect of discouraging employers and leaving a bad taste in their mouths, a taste which remains to this day in some states.

Contrast with that the conditions of today which make possible a happy family of 8,000 men and women—factory managers, city, state and federal officials, educators, and civic, commercial and industrial leaders—all working together

on a cooperative basis for the prevention of accidents on their own properties, in

the other fellow's plants, and in the country at large. Picture policemen mixing with truck drivers for the prevention of traffic accidents; picture school teachers meeting with business men in the interest of educating the child to avoid accidents; picture state factory inspectors and factory owners in an amiable conversation; picture employer and employee getting their feet under the table to talk over reduction in injuries, lost

time, and other forms of industrial waste. Picture these things,

then you have some idea of what the safety movement has done to American industry. Rosy as this picture is, however, it includes not more than 25 per cent of American industry. Seventy-five per cent—the employers of twenty million workers—have yet to see the light.





Is It the Voice of the Veterans?

A. J. PETERSON, president of the Cash Hardware Company, in Neillsville, Wisconsin, writes that he is "ashamed to be a member" of the Chamber of Commerce of the United States because of its attitude toward the soldiers' bonus bill. He did not "dream that a bunch of supposedly Americans could go against the boys who saved the world from being ruled by tyranny."

Mr. Peterson wishes also to cancel his subscription to this magazine. "This firm," he says, "will not be known as a member of any organization that is in any way against the boys who fought for both you and I."

Among many messages of approbation, other letters of similar tenor to Mr. Peterson's have reached us. Yet the "boys who fought" and most need help are those who were crippled; and the statement of the Chamber, made during the bonus fight, that the efforts of healthy, uninjured veterans to procure a bonus would delay and interfere with adequate consideration for injured men was emphatically confirmed soon afterward by President Harding himself, who said, in his speech to the Senate:

"... this menacing effort to expend billions in gratuities will imperil our capacity to discharge our first obligation to those we must not fail to aid. . . ."

That argument has not been answered by any advocate of the bonus. The nearest approach to an answer has been a vague suggestion that the President of the United States and the Secretary of the Treasury didn't know what they were talking about when they discussed the Nation's finances. Fact and specification have been utterly lacking.

While the minimum amount of the bonus equals the total amount of appropriations for running the entire Government for two years before the war, any one familiar with the history of pension legislation knows that in the final reckoning any minimum will be conspicuous by its absence.

The maximum figure is appalling. The bonus advocates ask for the healthy, uninjured veterans an amount which, counting the cost of administration, exceeds all the soldier pensions which have been paid by this Government in the 142 years of its existence. Put another way, it exceeds the total Government appropriations for the six years from 1912 to 1917.

"While we bared our breasts to bullets the profiteers at home waxed fat"—that sentimental note is often heard. It isn't especially appealing when one considers that over 2,000,000 of the veterans were never called to arms until six months before the Armistice, and that these men spent their military duty in camps, many times in their own States. For this they want billions from an impoverished treasury.

There is no soldier organization in the country today that has a membership exceeding fifteen per cent of the total number of veterans of the World War. Persons who have undertaken to speak for the whole body of veterans—and there has been an abundance of such persons—have accordingly arrogated a great deal to themselves. They have presumed to represent the great silent body of veterans who have not indicated an unpatriotic desire for money at the cost of a Treasury breakdown.

The Trials of Tariff Making

DUMPING in a new form is alleged by some Australians against our automobile manufacturers and the result is said to be great depression in the Australian body-building

industry. This industry got a provision of law that only one out of every three automobiles imported could have a body, with a high customs duty on bodies. American manufacturers, building cars after the American idea that the buyer wants a machine in which he can take a ride the day he acquires it, have complete cars to sell and they did not make any great reductions in the price for a chassis alone. The result is that Australian buyers are taking complete cars, and standing the high duty on bodies, rather than buy a chassis and wait for months to get an Australian body at a total higher price.

The American manufacturers are now accused of Yankee ingenuity and with getting around a law which, by every rule of Australian reasoning, was perfect for its purpose of having every automobile in Australia bear an Australian body.

—Also in South Africa

IMPORT EMBARGOES are being instituted by South Africa as a method of protection for home industries. Flour has been on the embargo list, and recently boots and shoes have been added. The prohibition is complete except in so far as licenses are obtained.

The scheme does not seem to meet with favor from all members of the commercial and industrial community of South Africa. A publication devoted to industrial interests and a "strong industrial policy," calls the embargo an unjustifiable interference with the ordinary course of business, and a blow both at the pocketbook of the Government and the purse of the consumer.

How to Build Our Highways?

OUR HIGHWAY system, ten times the mileage of our railroads, and fifty times the mileage of our trolleys, presents new problems. Shall the system be developed primarily as a vast interstate transportation system, interconnecting throughout the continent, and secondary only to the railroads as a common carrier? Or shall it be developed by intrastate enterprise, on the so-called "Farm to Market" plan, largely according to the conception of officials in each of forty-eight States. Here, we take it, lies the nub of one of the most important domestic questions confronting the American public at the present time.

There are two and a half million miles of roads in the United States, about 300,000 (12 per cent) of which have been improved or surfaced in some form. Only about one third of the last four years' program represents permanent hard surface roads. What shall we do with the enormous remaining mileage scattered throughout the States? On this point the Chamber of Commerce of the United States has declared for a national viewpoint in road building which receives Federal aid, and with these important reservations:

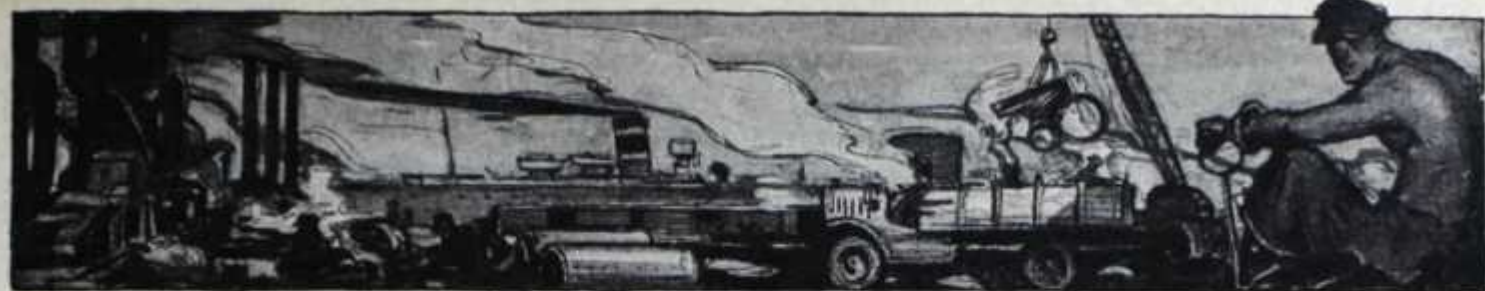
That Federal aid should only be extended to highways which will become a part of an interstate system.

That only reasonably enduring and permanent highway construction should be bonded and receive Federal aid.

That the States must adequately maintain their roads to receive Federal aid.

And lastly, that the whole highway program should be subjected to a careful economic analysis to determine the right location and route, the best construction needed for the traffic, and the most efficient type for service and maintenance.

The Transportation Department of the National Chamber has estimated roughly the investment in this new transportation system. While there are \$10,000,000,000 invested in motor



vehicles alone, the total investment in the whole business, exclusive of manufacturing and accessories, is probably equal to, if not greater than, the total investment in our railroads—about \$20,000,000,000 when the cost of "road bed, shops, equipment, supplies, etc." is all included. It is estimated by the American Automobile Association that nearly \$1,000,000,000 is now available from all sources for road building. It is important that this money be spent wisely. But we cannot hope for wisdom without adequate investigation of design, construction, operation, accounting, administration, and the fair apportionment of the cost of it all among those elements which benefit directly and indirectly from highway transportation.

The Government has already appropriated nearly \$300,000,000 as Federal aid for highways and post and forest roads. On June 30, the end of the last fiscal year, the old Federal aid bill of 1916 expired. There are now two highway bills pending before Congress, one calling for an appropriation of \$100,000,000 per year (for two years) and embodying such a national viewpoint as ultimately would be reflected in an interstate system; the other proposes to continue the old Federal aid plan under the control of the various State highway Commissions subject to the "approval" of the Secretary of Agriculture (Bureau of Public Roads), under an appropriation to be determined later.

It is not yet certain that a bill will pass at this session, but pending action on them an aroused and informed public opinion on a subject of vital economic importance is needed. If there is any doubt about this let it be noted that estimates of annual operating cost of the entire highway transport machine range from \$3,500,000,000 to \$6,000,000,000 per year.

Winged Victories

ECUADOR and Nicaragua are establishing aerial mail service, and in China forty planes are operating eight hundred miles from Shanghai to Peking. Passengers and parcels are carried as well as postal matter; and on letters thus delivered in old Cathay are stamps bearing, by way of fitting contrast, a pictured airplane beside a picture of the Great Wall.

In Nicaragua, Managua, Cabo, Gracioso Dios and Bluefields are linked invisibly for social and commercial intercourse; in Ecuador, Guayaquil, Riobamba, Quito and Tulcan, a total of nearly four hundred miles. Airplanes flying over the Azuat pass in the western Andes reach a height above sea level of 19,000 feet, and at another stage in their journey traverse the perpetual snows of Chimborazo, fourth among the high places on the roof of the world.

Thus do "backward" countries take their place in the forefront of man's conquest over the forces of nature.

The Vocational Board Wins!

CONSOLIDATION is a good thing—provided that you are careful what you consolidate. Congress proclaimed the truth of this when conferees of the two houses, in dealing with the bill to bring together in one agency the Government's activities on behalf of wounded veterans, distinguished between the functions of the Federal Board for Vocational Education for these veterans and its duties in promoting vocational training in the States as a fundamental principle of American education. The former has been the Board's war work. The latter was the Board's prewar task and is its permanent peace-time job.

The Senate has not made the distinction. It has proposed to abolish the Board and transfer to the new veterans' bureau,

not only the Board's war work, but also its permanent task, including administration of Federal funds that were made available to aid the States in vocational education.

This permanent task is highly important, from the point of view of the Chamber of Commerce of the United States, which also has declared for the consolidation of the Government's agencies working upon behalf of veterans. In favor of Federal aid to the States in vocational education and a Federal board the organizations in the National Chamber's membership went on record in 1916, by a vote of nearly six to one. In 1921 delegates representing the organization members were unanimous in supporting consolidation of Government agencies and centralizing all authority for disabled veterans.

When the Senate failed to distinguish between the temporary and the permanent tasks of the Federal Board, and contemplated even putting into the veteran's bureau supervision of courses in home economics for the farmer's wife, the Chamber called attention to the facts.

While the National Chamber was presenting these arguments as forcibly as it could, opposition against the Senate bill developed in the House. Representatives of agriculture and labor were getting ready to enter the fight, but it was over almost before they could make their weight felt. The conferees were quick to see the logic of the situation and the troublesome proposal vanished.

The rehabilitation feature of the Vocational Board were given over to the veterans' bureau—where they should be since they deal with injured service men.

Now That We've Got 'Em—?

IDLE STEAMERS are possessed by the Shipping Board in abundance. On July 23 it had 632 in operation, 66 under repairs or being reconditioned, and 747 idle. On January 1 there were 1,142 in operation. In July, 1920, receipts from operation were \$40,000,000, and in September \$73,000,000; in June, 1921, they were barely \$13,000,000. The condition of the Government's shipping business is bad enough on the basis of idle boats, and the decrease in receipts, but that is not the whole story; according to the chairman, the Shipping Board has no accounts for two-thirds of the voyages made by its boats in the last eighteen months.

The chairman of the Board says that, because of the conditions under which the fleet was created, the Government's venture has never had a Chinaman's chance and that Congress now has the alternative of giving enough time and money to save the situation or sinking the boats. A revolving fund of \$100,000,000 more to meet costs of operation is the immediate request of the chairman, on the theory the boats will not be sunk.

Operation of boats is not the only expensive job the Board has on its hands. There are pending something like 898 claims, running into the handsome figure of \$300,000,000 as an aggregate. Besides, there are 1,700 suits in admiralty against Shipping Board boats, and they total another \$50,000,000.

Pumps Dry—but Not Pubs!

THE PUMP figuratively still has its place in London. A drought has set England officially and unofficially to looking up its water supply. In fact, a national survey of the amount of water available is in progress. But the Bank of England and some other establishments continue serene, because they have their private wells and care not how things go with the public waterworks.

Though the Farmer Is Selling His Crops and Buying More Freely, the Improvement in Business Is Slow

By ARCHER WALL DOUGLAS

THE STORY of the harvest is one of yields somewhat less than the bountiful returns of last year but still enough for all our needs. The cotton crop, of all the great staples, is still in the making but with the certainty of a smaller production than for many years. Because of a supply which is more nearly proportionate to demand than twelve months ago, prices of food have been rising somewhat of late to the benefit of the farmer but not so much to the satisfaction of the consumer.

Already the effects are seen in a gradual change in the agricultural districts of the

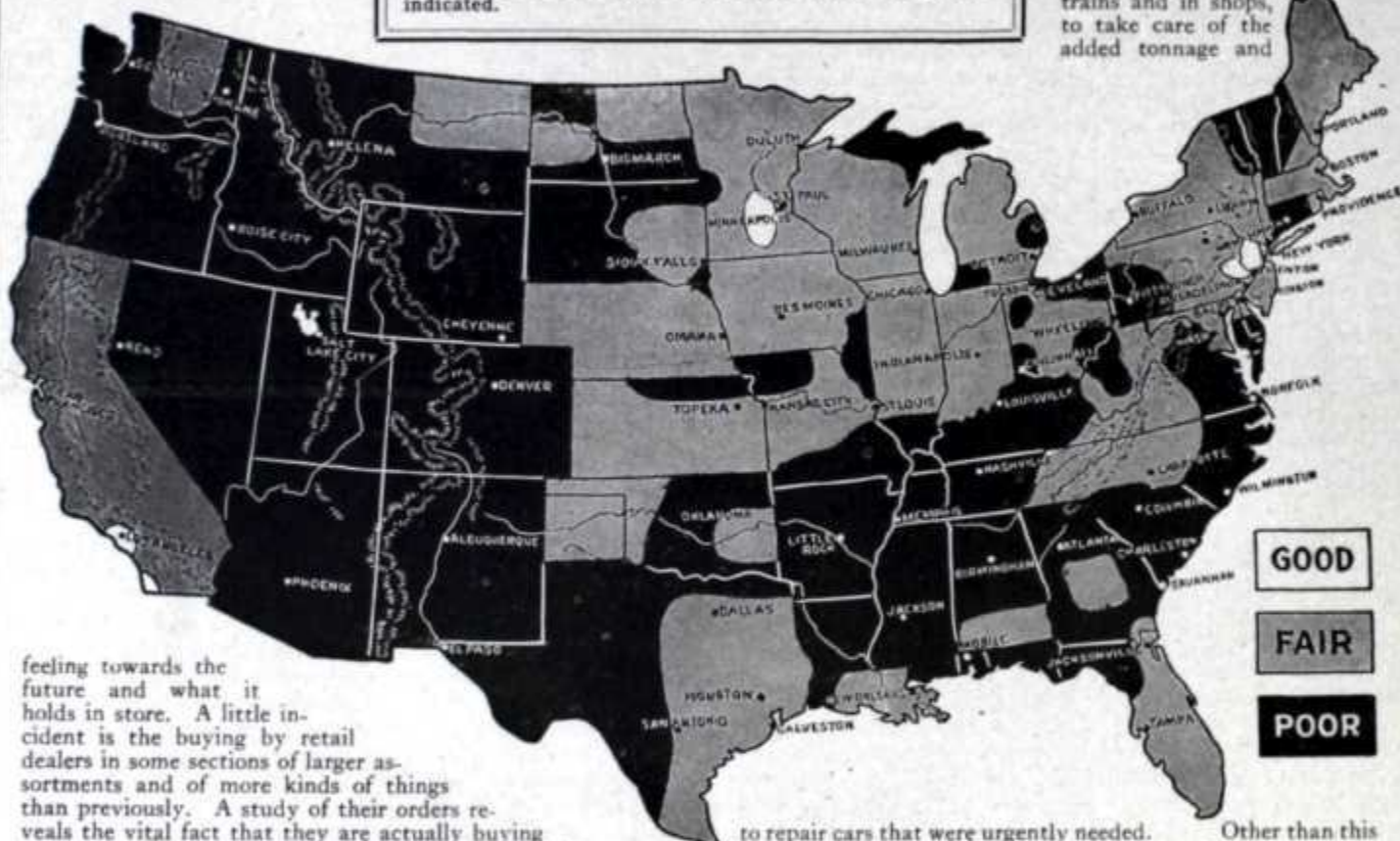
indicated several interesting things: An apparent lack of any concerted understanding among the farmers as to holding for higher prices, or equaling and coordinating deliveries so as to sustain the market. It is very obvious that farmers feel that prevailing prices should be taken advantage of. The release of frozen credits in the country banks as the farmers procured currency from their sales, and the probable slow improvement in business upon the countryside as the summer wanes.

There was an increase in the working forces of some railroads, both on trains and in shops, to take care of the added tonnage and

Business Conditions, August 11, 1921

THE DOUGLAS MAP shows at a glance the general conditions of the country. Light areas indicate good crops, industrial activity, and "high pressure" buying markets. In the black areas these conditions are lacking. The shaded areas are half way.

In studying the map it should always be borne in mind that only actual conditions are shown; prospects are not indicated.



feeling towards the future and what it holds in store. A little incident is the buying by retail dealers in some sections of larger assortments and of more kinds of things than previously. A study of their orders reveals the vital fact that they are actually buying goods for their needs instead of having them sold altogether by the traveling salesman, and the difference is as deep as a well and as wide as a church door. For it means the gradual return to usual ways and methods, both of thought and action, and the slow effacement of fear and apprehension.

For many weary months the situation in the world of business has been like unto the story in the first chapter of Genesis when the earth was without form, and void. But through it all the constructive spirit of resolve and action moved upon the face of the waters, until now we seem to be gradually emerging from the maze of difficulties which encompassed us on every side.

It is not quite time to "holler," for we are not yet out of the woods. There are still readjustments to be made, financial wrecks to be disposed of, many problems to solve. But we seem to be headed definitely towards better conditions even though they are still afar off.

All during July winter wheat came upon the market in tremendous volume; in such measure, in fact, as to discredit the prevalent stories of widespread damage which cried "wolf, wolf" as if there was a whole pack when in reality there were only some lone wolves in certain localities. This flood of grain

to repair cars that were urgently needed. Other than this there was no improvement in unemployment but rather some increase.

One of the compelling causes of the sustained prices of wheat is to be found in the heavy exports, much larger than for a number of years. Improvement in the market and prices for live stock during July gave substantial benefit and renewed courage to the farming community. Exports of meat products are much below those of war time, but recent increase in demand from abroad for lard and some other hog products have materially helped the situation. While hot weather and hard times curtailed the domestic demand for meat it looks now as if the worst was over in that direction.

The agricultural situation is best told, in a homely anecdote that is going the rounds, of an impatient city visitor kept indoors in a country house by two days of steady downpour, and the final impatient exclamation, "Will it ever clear up?" Then the measured, sober reply of the old farmer, "It always has." It seems now as if clearing weather was in sight with further additional cheer in the form of heavy movement of hides and advances in prices of dairy products.

(Continued on page 28)

STRAIGHT LINE METHODS

Competition

Competition is the impelling force in business. It proves every enterprise—eliminates the weak, rewards the strong. It compels new ideas, better methods, greater efficiency. It sets the highest standards for success.

Successful competition is the ability to exchange a desirable product or service at a fair profit. Exchange without profit is loss. Inability to offer the same value as competitors is a handicap. Under exacting conditions such loss and handicap is failure.

In competition, *knowledge of your business is power to win.* Timely and dependable facts and figures from every department, obtained thru the application of sound methods of cost accounting, give exact costs and overhead, and establish the basis of fair profit. They reveal inefficiency, weakness and waste. Knowledge, and the practice, of better methods eliminate these; and the bugaboo of competition disappears.

ERNST & ERNST

AUDITS - SYSTEMS
TAX SERVICE

NEW YORK
PHILADELPHIA
BOSTON
PROVIDENCE
WASHINGTON

CHICAGO
MINNEAPOLIS
ST. PAUL
ST. LOUIS
KANSAS CITY

CLEVELAND
BUFFALO
PITTSBURGH
DETROIT

CINCINNATI
INDIANAPOLIS
TOLEDO
ATLANTA
RICHMOND

NEW ORLEANS
DALLAS
FORT WORTH
HOUSTON
DENVER

STRAIGHT LINE METHODS

Throughout the West and South this fall and winter business will be much a matter of localities rather than of widely prevailing uniform conditions. For rains have been largely thunderstorms and local showers instead of the far-stretching and all-pervading "Lows" which fall upon all alike. So the crops are very spotted. Side by side there are burnt up fields and plentiful yields.

One of the serious handicaps of commerce is the difficulty in obtaining a living profit because the cost of doing business has not yet been adjusted to the still high prices of necessary supplies and the expense of many of the operating methods. Moreover, the prime need is to make sales so as to preserve some reasonable relation between the volume of output and the cost of operation. In order to do this care must always be taken that the prices made are not out of line and apparently too high, and any attempt to make sales beyond the immediate wants of the purchaser must only too frequently be accompanied by some inducement in price. For the consumer is much of the persuasion that "profiteering" is still in vogue and he is scarcely open to argument on that score. This is probably truer of the farmer than of the city man, because the dweller on the countryside got it very thoroughly imbedded in his consciousness that the things he sold declined further and faster in price than the supplies he bought, and gives scant consideration to the fact that it takes due process of time for the complicated facts and impressions of economic life to adjust themselves in needed proportion.

Those in the business world who in their present plight are looking for sympathy will find it only in the dictionary. Industrial life in July gave evidence of return to more usual ways by the distinct separation in the progress or recession of each particular line according to the particular factors affecting it and

not according to some dominant force governing all business alike as is the fashion only in two great economic eras, those of profound depression or of riotous prosperity. We are apparently in the initial stages of emergence from that former era and entering upon a period when each particular business will be governed more by the natural laws pertaining to it and less by those abnormal forces which turned the world upside down.

Coal mining is suffering, though not in silence, because it cannot find any consumer with vision enough and a sufficiently detached attitude of mind to imagine what cold weather feels like. A little later on the mines will be running full time, accompanied by the usual car shortage, and the coal districts will be brimming over with business. Meanwhile the consumers will be saying unprintable things about the coal barons, also the railroads. It is much as Solomon says, "the thing that has been is that which shall be and there is nothing new under the sun."

A kindred industry in fuel, that of oil, is also having its troubles. There are some 250,000 wells in this country and in 1920 they produced 443,000,000 barrels of crude oil, and are going at about the same gait at present. The United States is producing more than 60 per cent of the petroleum in the world and more than we can consume. So we have a large export trade and, paradoxically enough, an import business that exceeds our exports.

Meanwhile prices of crude oil are about one-third of what they were twelve months ago. Yet there can be but little doubt as to the ultimate future of the oil business, because of the steadily increasing use for it and its numerous by-products and also that there does not appear a likelihood of any country rivaling us in productive capacity. Those in the business who have "sand" (and

credit) enough to hold on will surely get their reward.

The automobile industry is marked by further declines in prices of some cars which had not met the situation, and by a slowing down in demand incident to this season of the year. It is also apparently approaching an era of far reaching import in its history. An era where distribution will assume a more economical and commercial form and be less an advertising and exploitation proposition. Also where there will be a closer adjustment of production to consumption, where the used car problem will be one more of actually worn out in service instead of whims and fancies and of speculation. In those days, and they are not far off, there will be brought about the survival of the fittest in Nature's usual and old fashioned way.

Cement is in demand because of much paving in cities and towns and many hard surface roads in process of construction throughout the country. Good roads are the earmarks of a progressive and intelligent people and likewise they operate to add an hundred fold to this same intelligence. Not only do they aid in the solution of the all-important problem of economical and efficient transportation and distribution, but far more because of the ubiquitous automobile they give humanity its greatest and most liberal education, that of mingling constantly with its fellowmen. There be secluded thinkers who have changed the course of the world by the depth and force of their mental conceptions. But the average solitary student is more apt to be an impracticable visionary or else an impossible crank. The genuine democratic education is that which comes from wandering to and fro on the face of this great country of ours in constant, sympathetic touch with that mass of humanity who create our welfare and our public sentiment.

Nation's Business Observatory

Disarmament conference arouses hope of relief from burdensome taxes. Trade magazines discuss shipping problems, Government regulations, "open price" associations and second thoughts on the Fordney Tariff

WHATEVER the diplomatic outcome of the conference on disarmament and the Pacific problem, summoned for next November by President Harding, its educational effect can hardly be overstated. Already columns of news and editorial space are being devoted to it, and business publications are not unmindful of its special importance to their readers.

A better understanding both of the immense burdens imposed by armament and of the factors which seem to make adequate preparation imperative is sure to result; and we may expect, too, a wider realization of the part played in modern wars by economic friction. It is commonly believed by diplomats now that the Far East is the danger spot on the map of the world, and that the conference may do much toward an international understanding and practice which will tend to avert conflict.

Much credit is given in business publications to President Harding for calling the conference, and to Senator Borah, whose resolution for naval disarmament preceded the invitation. "In all quarters the breadth of view of President Harding in initiating a great movement is recognized," says *Bradstreet's*, "and the hope is voiced that through

the agency of the conference he has called, some real check may be imposed upon the burdensome increase of armaments. The war-torn world is eager to set its feet once more upon the path that leads to peace. And in regard to Secretary Hughes' stand on the Open Door policy in China, which will have its bearing on the conference, the periodical says:

The Secretary added an assurance of the United States Government's continuance in its whole-hearted support of that principle, which it has traditionally regarded as fundamental both to the interests of China itself and to the common interests of all powers in China and indispensable to the free and peaceful development of their commerce on the Pacific ocean.

The call to the conference affords "cheering news" to *The Prairie Farmer*, which says of disarmament under the heading, "Common Sense Among the Nations":

The tremendous cost of war and preparation of war hangs like a millstone about the neck of civilization. European nations are up to their ears in debt. Their productive industries are running on low gear. Yet instead of paying their debts they are pouring billions of dollars into preparation for future wars.

Our own country is doing no better. Our naval appropriations for the coming year are nearly half a billion dollars—enough to build five 18-foot concrete highways from the Atlantic to the Pacific. Business and agriculture, struggling to keep going, are oppressed with a tremendous burden of taxation, a large part of which is unnecessary. Most of the money we are spending on the navy is money thrown away. A battleship costs \$40,000,000 and is obsolete in a few years. In fact, many naval experts maintain that the heavy fighting ship is worthless now, and that a fraction of our naval appropriation invested in airplanes and submarines would protect our shores against any possible foreign foe.

Let us hope that out of the coming conference of nations will come a sensible policy of disarmament. Once we check the riot of appropriations for future wars, even the poorest nation can pay its war debts in a comparatively short time. The failure of past efforts should not discourage us. It is only by much discussion, by slow and painstaking effort, that progress is made. Civilization moves forward slowly, a step at a time, a few men of vision leading the way. The next great step will be an agreement among the nations to keep the peace and to limit the size of their armies and navies. It makes little difference whether the job is done by a league of nations, an as-



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sociation of nations, or a disarmament conference. The main thing is to get it done. The coming conference will not result in world disarmament, but it offers hope of progress in that direction. Every billion dollars that it saves in war appropriations will add immeasurably to human comfort and happiness. We cannot be proud of our civilization as long as we build battleships while children are hungry.

The President is not authorized, as the *Manufacturers' Record* points out, "to organize a world capital, from the legislative halls of which statutes for the conduct of the world would come;" and it adds:

The President, however, is authorized to conduct negotiations looking toward agreements which will assure peace in the Pacific. No pact can vision the details of the future. There will be requisite, therefore, some court to which appeal can be made for interpretation of the pact and for the settlement of issues arising from a given status of affairs. A court competent to pass on such matters would obviously be a court competent also to pass on similar matters no matter where arising. In the creation of such a court, therefore, the minds of the diplomats will at once seek broader fields. They will move toward, and it is the Administration purpose to have, a High Court of International Justice.

To the *Dry Goods Economist* the conference seems of such importance as to warrant devoting the first page of an issue to it, and it comments incidentally on the effect of Germany's enforced disarmament:

The fact that through defeat Germany has been relieved of the burden of militarism on the part of her government—having been disarmed and prohibited from again arming—has furnished an object lesson as well as a danger signal to other nations. It is seen that Germany, through being relieved of the cost of an enormous army and a large navy, will reap a huge economic advantage, vast sums of money being released for industrial development and hundreds of thousands of men, non-productive during their years of military service, being put in a position to devote all their time and energy to industry. It is realized, therefore, that if other nations do not disarm in large degree, the advantage now possessed by Germany will within a few years place her in a position of exceptional economic, financial and industrial strength.

Attention is drawn, for example, to the advantage Germany will have over France if Germany has all her men available for peaceful pursuits while France has 800,000 men under arms and industrially idle. It is realized, moreover, that these 800,000 men will have to be supported by the workers, the expense involved being added to the cost of production and giving Germany a still further advantage in the world's markets. What applies to France, also applies in greater or less degree to Great Britain, to Italy and to other countries, including our own.

In some quarters a connection is perceived between the conference and the Allied debts to the United States. Senator Borah expressed one phase of this view when he said on the floor that if the foreign Governments were unable to agree on a plan of disarmament this country would be justified in demanding that they meet their financial obligations. *The American Banker* says of these loans:

It will be a great relief to the country to refund these debts in a satisfactory manner and the probability is that this burden, sooner or later, will be represented by fixed interest-bearing securities under some arrangement which will result in making the Government a much less important factor in the money

market. When this comes about, the credit strain will be appreciably relieved, for the heavy Treasury borrowings have been at times a dominant influence in money market and investment affairs. In proposing this readjustment, Secretary Mellon suggested that "to insist on payment might be disastrous to the peoples of such countries; besides, there may have to be given consideration to the bearing of the adverse foreign exchange rates existing at the time against these debtor countries and which may make it desirable to defer payment of interest."

The Trade Associations

Wonder What They Can Do

TRADE associations are on the grill, and their members, in many cases, are uncertain just what activities are approved and just what are frowned upon. Undoubtedly, as Attorney General Daugherty has said, they can do an extremely helpful and useful work. Commenting upon Secretary Hoover's recent talk with a group of trade association secretaries, *Paper Particulars* says:

The Administration quarrels not with the practice of gathering statistics but with the use to which the cumulative information is put. This statement is borne out by Henry A. Wise, formerly United States District Attorney, in his forecast before the first annual convention of American Trade Association Executives as to the stand the Department of Justice will take in the case of the American Hardwood Manufacturers' Association, which now is pending decision by the Supreme Court of the United States. In this connection Mr. Wise says in part that any association which gathers and distributes to its members all the information available as to what has occurred and is occurring in the industry it represents is not only legitimate but desirable.

Secretary Hoover's plans for a monthly statistical service to American business would depend, in large measure, for its value on the speed in gathering and disseminating it, and upon its completeness. As the *Oil, Paint and Drug Reporter* says:

It is not impossible to draw useful conclusions as to conditions in any industry from a knowledge of the affairs of, say, 10 per cent of the number of establishments therein. If that 10 per cent be typical, the conclusions will be fairly accurate. But, obviously, the larger the proportion from which statistics are obtained, the simpler is the matter of judging the whole industry. Therefore, it is important that every firm addressed by the Department of Commerce respond freely and fully to its request for statistical information. Assurance is given that every possible precaution will be taken to prevent leaks of the information supplied by any manufacturer or distributor. So, there can be no reason for refusing to comply with the department's request, other than that parasitical habit of letting "George" do it.

Some doubt is expressed as to whether such a service can be made an adequate substitute for the service trade associations render. As the *Paint, Oil and Chemical Review* observes:

Detailed and accurate knowledge of current prices, cost, sales, production and the like are essential for intelligent competition, from which both producer and consumer unquestionably benefit. The value of such information is further enhanced when it is given in form of averages or percentages to the business public. It is only when the data is held strictly within the association and used as a basis for understandings and agreements, tacit or expressed, which eliminate competition that the current practices are to be condemned from a broad economic aspect—and then it is the use made

of the information and not the collection of data that is to be regretted.

A question still remains as to what steps shall be taken to remedy a situation which causes grave concern alike to the Government and to trade association members. The *Engineering News-Record* sums up the situation compactly in these words:

In closing the work of the Lockwood Committee, Samuel Untermyer, its chief counsel, recommended, among other things, that trade associations be put under rigid Federal supervision and that those who participate in trade organizations not supervised or sanctioned by Federal authority be subject to criminal prosecution. Mr. Untermyer has uncovered flagrant combinations that might have been prevented had there been such supervision as he favors. We may have to come to such supervision, despite the fact that it will be costly and further increase our governmental machinery. As a first step we might try a more intelligent functioning of the Federal Trade Commission, by making its duties advisory and helpful rather than inquisitorial. There are many functioning associations which are anxious to keep within the law but which cannot find out what the law actually means. To safeguard the public, resort to strict supervision may be necessary, but we should like to see the advisory method tried.

Regulation of such associations by the Federal Trade Commission does not meet the approval of the *Coal Trade Journal*, which complains that the commission has been "a disappointment and a failure." It quotes Mr. Hoover's words on the effect of uncertainty on business and adds:

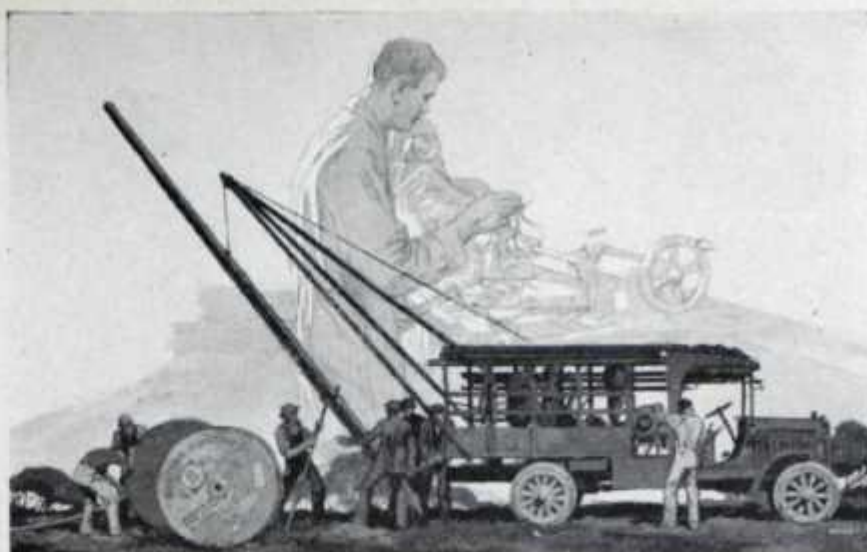
Business methods and business conditions are subject to such constant change that it is impossible to frame general legal declarations of standards of conduct in anything but the most general terms. Thus we have the broad, sweeping condemnation of combinations in restraint of trade embodied in the Sherman law and we have the statutory doctrine laid down in other measures that unfair competition is beyond the pale. Whether, however, a particular combination is in restraint of trade in the sense that it is unlawful under the anti-trust provisions or whether a specific practice offends the later prohibitions against unfair competition are questions of fact upon which honest men may honestly differ. Not only may two groups of men disagree today, but the same group may hold a different opinion tomorrow. It requires only a review of some of the leading court decisions construing the Sherman act to establish the truth of that assertion.

Government Regulation Hangs Heavy Over the Coal Trade

REGULATION is a sore spot with the coal trade, anyhow, what with the Calder and Frelinghuysen bills; and although neither of these seems at all likely to pass during this session of Congress, some periodicals take occasion to utter friendly warnings to their readers. Says the *Coal Trade Journal*:

The coal industry owes it to itself and to the public which refused to support the Frelinghuysen program to see to it that nothing the coal men do or fail to do will provide that opportunity. This means that, having fought the enemy without the gates, the coal trade must turn and fight those within its ranks who contribute by their actions towards creating a public sentiment that favors regulation. It means, too, that those coal men who sincerely believe that Government regulation is desirable or inescapable should be converted. Divided

(Continued on page 34)



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counsels may make for progress in times of peace, but they are fatal in times of war.

But *Coal Age* takes a somewhat milder tone, and observes that "the scandal in coal prices in 1920 was no dream; it was real." Although the regulatory legislation is shelved, it thinks the causes remain, and it says:

Because the future may hold threats of more serious portent is plainly no argument for accepting in advance even a small dose of regulation. The Frelinghuysen bill with every suggestion of compulsion and regulation left out would have been fully as effective in promoting collection and promulgation of facts about coal, and with these provisions in, it would be absolutely ineffective in preventing high prices. Despite all that has been said in the past month we are convinced that the substantial element in the coal trade believes in stable rather than speculative business and in the value of educating the consumer as a means of reaching that goal.

The Shipping Problem

Is Still in Our Midst

MERELY to charge off the loss on the American Government fleet of war expenditure is not enough, in the opinion of *The Index*, one of several journals to comment on Chairman Lasker's appointment. Nor is retirement of the Government from the business a panacea.

The question remains, says *The Index*, whether or not the war-built ships can be profitably operated by any one. The experience of the past indicates that if the United States is to have an adequate marine, it must be prepared to make even greater sacrifices than are involved in charging off a loss on the emergency fleet now in being. Even with new ships better adapted to the work they must do, there would remain to be overcome the competition of the more cheaply operated and generally subsidized vessels of other nations.

Discriminatory measures as an aid to our shipping do not meet with the approval of the *Nautical Gazette*, which asserts that "the decades following the elimination of preferential treatment for American bottoms were those in which our shipping made its greatest advance, relatively speaking," and adds that:

Discrimination against foreign interests is not the way to build up international trade or to create a feeling of good will towards American shipping. Aside from being impolitic, policies of discrimination are objectionable in that they must necessarily result in international friction.

What the Trade Papers Say of the Fordney Tariff Bill

AS TIME goes on and the Fordney Tariff Bill is better understood, even more space is devoted to it in business journals. In the August number of this magazine first impressions were quoted at some length, but the criticism, favorable and adverse, is now becoming more exact in its terms. Why have a tariff on rosin? asks the *Paint, Oil and Chemical Review*.

"If the French rosin manufacturer," it says, "can beat us on high quality goods it is probably because they have devoted more time and thought to care in manufacture and grading and it is hardly a time for the consumers to enthusiastically support defensive measures for an industry whose chief aim seems to be to thwart their desire for good, honest methods of merchandising which shall be uniformly administered and fair to all. Who would be the



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one to suffer in the case of a corner or a real shortage in pale rosins—the producer or consumer?"

And this may be accepted as an example of the very special point of view to be found in journals prepossessed by special interests. *The Textile World*, for instance, quotes with approval from a statement by Paul T. Cherington, secretary of the National Association of Wool Manufacturers, in which he says:

So far as the wool and wool products schedule is concerned, the outstanding feature is its inconsistent and haphazard character. It can be deduced from internal evidence that whoever drew the schedule was wholly unfamiliar with the wool manufacturing industry. Moreover, whoever drew the schedule was not able, for one cause or another, to hold consistently to any definite policy. The only apparent underlying principle, if the schedule has one, is that the Payne-Aldrich rates should be increased on raw material and decreased as much as possible on manufactures.

Before hides were put back on the free list the *Shoe and Leather Reporter* called the bill "a farrago of nonsense," and declared that a tariff on this commodity would "deal a death blow to our third largest industry." In *Wallace's Farmer* we are told that free hides are desired by those "interested in cultivating trade relations with South America," with advice to the farmer to "get actively into the game of fighting" for the tariff.

A "tendency to overdo a good thing" is feared by *Chicago Dairy Produce*, which says:

We have pointed out before that, while a high tariff will undoubtedly protect us against the world's surplus of butter and other dairy products, it cannot protect us against our own surplus. The very moment we create artificial values for butter—our own butter—we at once open the way for a very much larger increase in the consumption of butter substitutes. Can you think of a better scheme to injure the cause of our industry than to force consumers to resort to substitutes? We cannot.

Here and there approval is expressed of the action in putting oil on the free list, and in the journals devoted to chemicals much attention is being paid to the dye question. In the *Oil, Paint and Drug Reporter* we find:

It is too early to state what the next move for protection of the dye industry will be, but the fight should not be given up; it will not be given up. The cry of monopoly must be refuted before the Senate. The fear of new departures must be banished through a clear presentation of the facts incident to the operation of embargo acts. As it is scarcely likely that the Senate will get very far with its consideration of the tariff measure before the short session later in the year, there may be opportunity to compare conditions now existing with those which will arise when the embargo provision of the emergency tariff act expires. Hearings on the bill will shortly be begun by the Senate Committee. Let there be no lack of argument and informative data in the effort there to influence the erection of a dike which will prevent the overwhelming of the American dye industry by a flood of world-coveting unfair competition.

In *The Textile World* a long editorial arraignment of the whole bill concludes with this paragraph:

The country wants no more hodgepodge tariff legislation like the present "emergency act," and sufficient time should have been taken in the preparation of the Fordney bill to assure statesmanlike work. Had there been strong and fearless guidance no attention would have

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The greatness of a merchant is measured by the number of people who believe in him.

To build a powerful organization, an employer must first win the loyalty of his employes by being loyal to them.

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Upon the character of our leaders—upon their vision, courage, determination, wisdom and honesty—depends our progress toward better times.

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National Bank of Commerce in New York

Capital, Surplus and Undivided Profits
Over Fifty-five Million Dollars



been paid to the thoughtless impatience which asked for instant action. The additional time needed to perfect the measure in the committee would have been more than saved in the later stages of its legislative journey. In its present form the bill is so seriously in need of amendment and revision that the Senate Finance Committee will be compelled to hold extended hearings and devote much time to the correction of palpable inequalities that would not exist had the House committee done its work with the care and thoroughness reasonably to have been expected of it.

More than one commentator devotes attention to the plan of "American valuation." Says the *Modern Miller*:

Exports are decreasing at a much greater rate than imports, cutting down the balance in trade accordingly. Thus the value of the home market to American industry is becoming more and more important, and now it has become apparent how inadequate the present tariff is to protect that market from foreign invasion as conditions approach nearer to normal.

The needed protection will be afforded by the new tariff which Congress is about to enact. The average ad valorem rates in the bill now before the House are about three times as great as the average rates in the Underwood tariff, and they are made more effective still through the provision for American valuation of imports. Home industries thus will be encouraged to resume operations, giving employment to many idle workers, capital will again be busy, and in this way Chairman Fordney's prediction that the new tariff will be beneficial to both industry and labor will be fulfilled.

And in *Export Trade* we find the statement that this scheme is "aimed primarily at the trade combinations—à la German cartel—which it is claimed are being formed in several foreign countries," with this comment:

What the plan really will accomplish will be—as pointed out in the May 7 issue of *Export Trade*—to raise the duties on certain commodities from certain countries far beyond the actual named assessment in the tariff bill. Furthermore, the difficulty of administering such a provision with honesty and efficiency will be almost insurmountable. The American valuation plan is nothing more nor less than a scheme for the enhancement of duty rates without open admission of the fact, and as such should be eliminated.

To *The Publisher's Weekly*, alive to the tariff as it affects books, the plan seems a piece of guesswork; and it adds:

Under what Mr. Fordney calls the American valuation plan, all commodities would apparently pay duty on an artificially-arrived-at figure. The new tariff rate on books of 20 per cent, though higher than the Underwood scale, is lower by 5 per cent than the former protectionist rate, but in effect it will apparently be very much heavier as it will be levied on an uncertain amount known as the American manufacturing cost rather than on the actual English invoice such as was always the case under the old 25 per cent tariff.

The mandate of the 7,000,000 is seemingly to be interpreted to mean keeping the bars high up against any literary invasion.

Mail Business Looking Up

POSTAL RECEIPTS are esteemed highly in some quarters as an indication of the general course of business. When compared by the months of this year with the corresponding months of last year, they began to show a decline in March, and in April they reached their largest decrease, over 8 per cent. In May the decrease was not so large, and in June it almost disappeared, being

but nineteen-hundredths of one per cent. As the receipts for June, 1920, were the largest for that month in any year, the receipts for June this year were pretty near the top.

Among the fifty cities for which postal receipts are announced, twenty-nine had increases in June, 1921, over their receipts for June of last year. Saint Paul had an increase of 25 per cent, the largest proportion, with Los Angeles, Milwaukee, Richmond and San Francisco following in the figures.

Who Uses the Coal?

INDUSTRIES classified by their use of fuel show some interesting facts. The Census Bureau has prepared such a classification for the "superpower zone"—an area extending from southern New Hampshire and Vermont southward through the New England States, southeastern New York, eastern Pennsylvania, New Jersey, a portion of Delaware, and central Maryland, to the District of Columbia.

In this area, there are a total of 76,000 industrial establishments using power. Numerically, plants making textiles and their products lead the list, with those manufacturing food and allied products second. In 1919 the amount of coal consumed by plants in the zone was 61,000,000 tons—34,669,000 bituminous, 5,661,000 coke, and 20,909,000 anthracite. In addition, there was 2,822,000 horsepower purchased in the form of electric energy.

Industries making chemicals and allied products used the largest amount of coal, 12,100,000 tons. The manufactures of iron and steel come second, with 11,500,000 tons. Other industries were:

	Anthracite Long tons	Bituminous Coal and Coke Short tons
Textiles and their Products...	1,763,000	5,121,000
Stone, Clay, and Glass	558,000	3,176,000
Food and Kindred Products	1,511,000	1,793,000
Paper and Printing	765,000	1,967,000
Non-Ferrous Metals	882,000	1,545,000
Railroad Repair Shops	435,000	825,000
Leather and its Products	147,000	650,000
Liquors and Beverages	345,000	401,000
Lumber and its Remanufactures	80,000	556,000
Government Institutions	24,000	407,000
Laundries	178,000	230,000
Vehicles	107,000	238,000
Tobacco	39,000	40,000

Overhead and Government

GOVERNMENT expenditures show the characteristics of all "overhead"; they persist in keeping up regardless of the course of receipts.

Month by month the disbursements of the Federal treasury have been, exclusive of the sums paid to retire debt:

\$231,000,000	July, 1921
469,000,000	June
368,000,000	May
494,000,000	April
536,000,000	March
551,000,000	February
588,000,000	January
404,000,000	December, 1920
426,000,000	November
426,000,000	October
406,000,000	September
447,000,000	August
396,000,000	July

Beginning in the spring with hopes of reducing expenditures, the British Government, too, has found its struggle hard. In the intervening months it has added over \$300,000,000 to its estimates of what it will spend this year. For next year, however, every department of the British Government is ordered to reduce its estimates of expenditure by at least 20 per cent.

A MIGHTY FLEET PUT OUT TO SEA *from the* PORT OF PHILADELPHIA

Sweeping down the broad reaches of the Delaware and the Schuylkill, a fleet of 4,221 ships put out to sea from the port of Philadelphia in the year of 1920. Some of these vessels skirted our long Atlantic coast line, while others, laden with a diversity of cargoes, sought ports and harbors in every quarter of the globe.

During the same period 4,129 ships, drawn from the seven seas, came up the river to Philadelphia and discharged the passengers and wares they had gathered from many lands. Philadelphia's port is one of the most hospitable in the world and has abundant space and facilities for the reception and handling of all kinds of ships.

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Secretaries' School a Success

The attendance and the manner in which the courses were received prove that the institution has come to stay

By COLVIN B. BROWN

Chief, Organization Service Bureau, Chamber of Commerce of the United States

THERE can no longer be any doubt about the success of the National School for Commercial Secretaries. The attendance showed that the school filled a real need, and the smoothness with which the first sessions were handled proved that the machinery had been ably planned.

There was an enrollment of 175. The first session of the school was held at the Northwestern University, Evanston, Ill., during the last two weeks in July under the joint auspices of the National Association of Commercial Organization Secretaries, the Northwestern University and the Chamber of Commerce of the United States.

Secretaries of many years' experience rubbed elbows—and exchanged ideas—with the one-year men and applicants for entrance into the profession. All were going to school, big and little, experienced and inexperienced. Classes were attended regularly, promptly and, mind you, enthusiastically. Lecturers were listened to with the closest attention. To the schoolmaster it must have appeared like a school millennium. Those who attended announced that they would come back next year, and were determined to bring others with them.

They Took It Seriously

DURING that two weeks of constant drill nowhere was there a word of complaint, not even the heat nor the prohibition against smoking on the College campus. The School was taken seriously, and every minute was made to count.

Eight o'clock in the morning was the daily hour of opening. There were two lectures at this hour, both by university professors. Then followed two others at 9. During the first week the subjects were Economics, Business Organization, Markets and Distribution, Effective Speaking. The second week came Psychology, Business and Government, Transportation, Government.

The professors who lectured on these subjects applied them in a practical way to the work of the secretary. They were the fundamental courses of the School, and were the outstanding feature.

There were also daily lectures by secretaries of experience on the structure, technique and activities of organization work. There was a text on each such subject composed of mimeographed sheets bound in printed cardboard covers. The subjects covered were organization, program, finance, research, publicity, industrial activities and membership, meetings, office administration, civic activities, commercial activities, and the secretary. Secretaries who lectured on these subjects were the authors of the text they expounded.

After the lectures on fundamentals at 8 and 9 o'clock, there was a study hour during which the mimeographed text for the day was given out and students afforded an opportunity to go over it prior to the lecture. The lecture was from 11.15 to 12, adjourned for lunch, and resumed from 2 to 2.50. Then came group meetings to discuss the subject of the text and lecture. For this purpose the students were divided into three equal numerical groups, each in charge of a leader.

School adjourned for the day at 4, although there were several evening lectures on general subjects delivered by such men as Walter Dill Scott, President of the Northwestern University, Elliot H. Goodwin, Resident Vice President of the Chamber of Commerce of the United States, and Harry A. Wheeler, first president of the Chamber of Commerce of the United States.

One outstanding result of the school was the seemingly quite general acceptance of the idea that a chamber of commerce is primarily a business men's organization and not primarily a social or civic body.

Every noon there was a luncheon attended by all the students. The dominant note at these luncheons was that of relaxation, although there was generally a brief talk on a serious subject. It was at these luncheons that amusement features and changes in program were announced and reports of student committees read. The music was student talent, and it was good.

It is the announced purpose of the School to continue the work it has begun by providing students with courses of reading, so that they may be examined and degrees conferred at the next school term.

From now until the next school session, a year hence, many of those who attended the National School will continue their study of fundamentals through a course of reading furnished by the Northwestern University, and all will have their text on structure and technique which will serve as a guide to organization procedure.

In course of time this text will be revised, expanded, printed and bound. Secretaries who enter the profession will have something authoritative to which they may turn in acquiring proficiency and avoiding mistakes.

The "Profs"

THE lecturers on fundamentals were Professors Benjamin F. Stambaugh on Government, Homer B. Vanderblue on Transportation and Traffic, and Economics, Paul T. Cherington on Marketing and Distribution, Ralph E. Heilman on Business and Government, Ralph B. Dennis on Effective Speaking, Charles H. Judd on Psychology and Arthur E. Swanson on Business Organization.

Text book writers were John M. Redpath on Research, C. F. Holland on Membership, John M. Guild on Meetings, S. C. Mead on Office Administration, William S. Milliner on Retail Trade, Robert B. Beach on Civic Activities, Warren L. Jackson on Industrial Activities, George E. Foss on Programs of Work, J. David Larson on Finances, Ralph H. Faxon on Publicity, Walter Parker on Domestic and Foreign Trade, and James A. McKibben on Organization.

The next meeting of the Secretaries will be held at New Orleans, where they will meet in annual convention on October 24, 25 and 26, and here those who attended the National School for Commercial Secretaries will mingle with those who did not and help build up an increased school attendance in the fall of 1922.

Log of Organized Business

TWO committees to deal with transportation for the ensuing year have been appointed by the Chamber of Commerce of the United States. There is a committee for the Department of Transportation and Communication, which will consider problems relating to the general field of transportation and communication, and a special railroad committee.

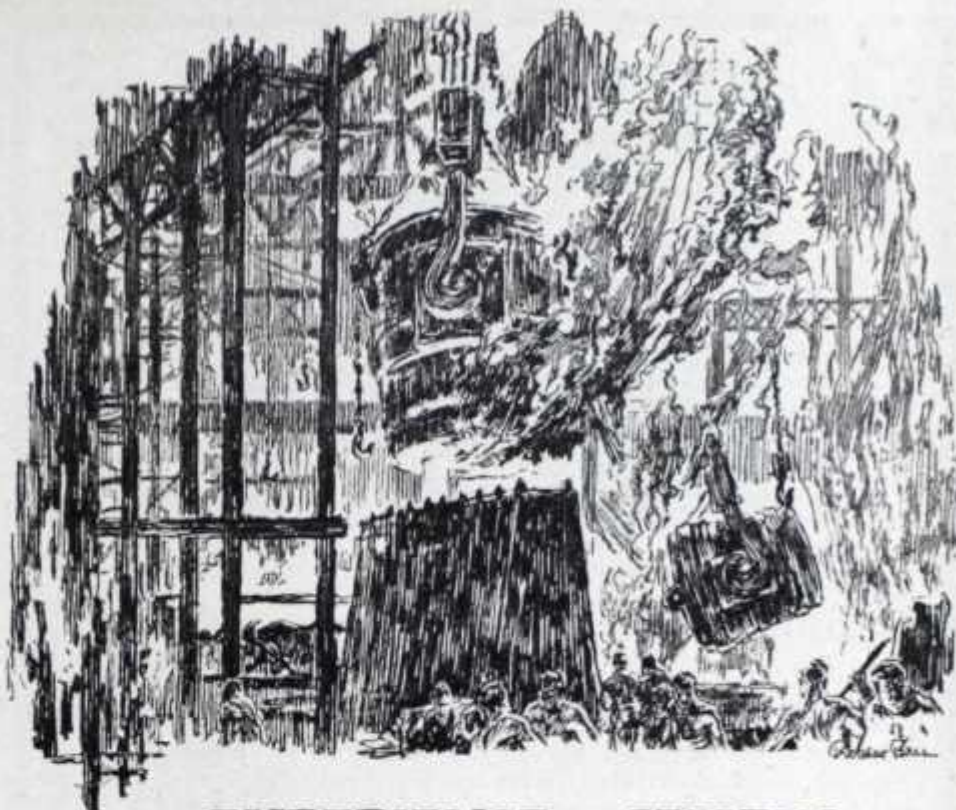
The chairman of the departmental committee is Howard Elliott, chairman of the board of the Northern Pacific Railroad, and a member of the Chamber's board of directors. Other members are: Vice-chairman—Lewis B. Stillwell, Lakewood, N. J., a consulting engineer and also a Chamber director; Utilities—Edwin O. Edgerton, San Francisco, ex-chairman of the California Railroad Commission; Railroads—George A. Post, New York, president of the Hudson River Bridge Corporation, and W. W. Salmon, Rochester, president of the General Railway Signal Company; Marine—H. H. Raymond, New York City, president of the Clyde Line; J. M. Whitsitt, Charleston, S. C., president The Carolina Company; Highways—A. J. Brosseau, New York, president of the International Motor Company; Electric Railways—Philip H. Gadsden, Philadelphia, vice-president United Gas Imp. Company; Waterways—Douglas Fiske, Minneapolis, lawyer; Port Terminals—B. F. Cresson, Jr., New York City, chief engineer, Port of New York; Communications—John J. Carty, New York, vice-president American Telephone and Telegraph Company; Postal—Lucius Teter, Chicago, president Chicago Trust Company.

George A. Post is chairman of the special Railroad Committee, and the other members are: Railroad executive—T. C. Powell, New York, vice-president Erie R. R. Company; Banker—Harry A. Wheeler, Chicago, vice-president Union Trust Company; Merchant—George W. Simmons, St. Louis, president Simmons Hardware Company; Railway Equipment—Wilmer W. Salmon, Rochester, president General Railway Signal Company; Railroad Administration—A. W. Smith, Washington, general counsel U. S. Railroad Administration; Transportation Economist—Emory R. Johnson, Philadelphia, dean Wharton School, University of Pennsylvania; Transportation Engineer—Charles E. Lee, East Orange; Lawyer—F. C. Dillard, Sherman, Texas; Rail and Water Transport—Walter S. Dickey, Kansas City, president Kansas City and Missouri River Navigation Company.

The Chamber's Transportation Department was organized recently with J. Rowland Bibbins as its manager. Mr. Bibbins formerly was supervising engineer of The Arnold Company, engineers, Chicago.

The department will deal with transportation in all its forms. In its work it will take up the following:

1. Railroads. Further study of financial resources, consolidation and efficiency, with the object of making them self-sustaining, with adequate service to the public.
2. Marine Transportation, both lake and ocean. The problems of the American merchant marine and proper relation to foreign competition.
3. Terminals and Ports. Intensive study of operating unification to secure a more efficient trans-shipment machine.
4. Electric Railways. The fare situation and



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Milwaukee, 620 Casswell block.
Minneapolis, 428 Second ave., South
New Orleans, 512 Camp street
Newark, N. J., 21 Clinton street
Pittsburgh, 637-639 Oliver bldg.
Portland, Me., 665 Maumelle bldg.
Providence, 79 Westminster st.
Richmond, 1225-24 Mutual bldg.
St. Louis, 805-13 Arcade bldg.
St. Paul, 131 Endicott avenue
Spartanburg, 409 Council bldg.
Springfield, Mass., Whitney bldg.
Syracuse, 401-407 Gurney bldg.

Toledo, 620 Spitzer bldg.
Washington, 743 15th street, N. W.
Worcester, 527 State Mutual bldg.
Distributors
F. W. Westworth & Co., San Francisco, 329 Market street
Seattle, 912 Third ave.
Oakland, 305 Thirteenth st.
McKee & Westworth, Los Angeles, 440 Pacific Electric bldg.
Parker Bros., Dallas, 1918 Commerce st.
C. G. Adams, Salt Lake City, 204-205 News bldg.

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London

Manchester

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ways and means for securing a self-supporting agency of essential public service.

5. Highways. Economic analysis of the problem of highway transport in relation to other agencies, and the proper public subsidy therefor.

6. Waterways. Economic analysis showing the true position of waterways as a natural resource, as yet largely undeveloped.

7. Communications. Encouragement of adequate development for needs of business, especially in connection with foreign countries.

8. Postal and Express. The problem of transportation of the mails upon an economic basis, as affects both public and carriers.

9. Air Transport. The codification of laws and regulations to promote safety and encourage aeronautical development with the maximum rapidity.

The diversity of interest in these various activities emphasizes the need for concerted study and action through such a department of the Chamber.

Building in Henderson, N. C.

HENDERSON, N. C., is enjoying a season of unusual building activity, with seventy-seven new buildings and additions with contracts let, now under construction and being completed, showing an expenditure of \$1,536,475. These facts are a source of pride to the Chamber of Commerce there.

As a diversified manufacturing center Henderson ranks among the first cities of the South. She has a large motor truck factory, a bagging plant, four cotton mills, and two hosiery mills. Another leader among industries is the Vance Guano Plant which has now under construction a large fertilizer plant. Four buggy factories operate there and have agencies throughout the Eastern and Southern States. Two flour and feed mills and a lively tobacco market are other factors in the town's well-being.

The Henderson Chamber of Commerce gives the following itemized account of present building activity:

20 industries, banks and business houses, costing	\$1,076,425.00
5 additions to business houses, costing	55,250.00
24 cottages, costing	46,550.00
17 one-and-one-half and two-story residences, costing	134,500.00
6 additions to residences, costing	3,750.00
1 graded school, costing	75,000.00
3 churches, costing	145,000.00

Total

Our Prunes to England

THE Oregon Growers' Cooperative Association introduced its prunes to the English trade last fall and reports that already more than 2,000,000 pounds have been sold. About 1,500,000 pounds of the prunes were shipped from the packing plants of the Association in western Oregon, all packed in twenty-five-pound boxes. Other shipments were made from warehouses in New York and Philadelphia. The Oregon Growers' Cooperative Association, with head offices at Salem, is a group of fruit and berry growers in the Northwest.

Masquerading as a Chamber

CHAMBERS OF COMMERCE not only have their work to do, but they have to stand constant guard against pretenders of every variety, including usurpers who, with the aid of a printer, manufacture a chamber of commerce out of paper, ink, and thin air.

The trick is easy. A good printing job is preferable, of course, on the assumption that a letterhead, if of sufficient quality, will at-

most carry conviction of its own strength and without a letter typed below. To be sure, a letter is usually added as a means of conveying the special message which the letterhead is expected to carry home. A recent example, written as from one secretary to another, offers a wonderful chance to "shoot a few dollars with us" in the everlasting hunt for oil, with the chance—so little emphasis is placed upon the element of chance that it seems pretty close to a certainty—that dividends will be paid at a rate of 300 per cent a month.

Myriad Welcomers

TEN THOUSAND San Francisco citizens have been asked to volunteer their services for municipal hospitality. Every transcontinental train and steamship is to be met by an agent of the city. The hotels and civic organizations will be asked to cooperate, and in general the entire resources of the city directed to seeing that no visitor goes to San Francisco without receiving special courtesy, or goes away without knowing something of the opportunities of this community. The plan has been worked out at a meeting of the executive group of the San Francisco Program Committee. The Program Committee and the Chamber of Commerce will jointly undertake the work.

New Philippine Chamber

WITH a membership of a thousand, the American Chamber of Commerce of the Philippine Islands makes its bow with Vol. 1, No. 1, of a monthly journal, well edited and of pleasing presence. Until now there has been no trade publication in the Philippines in the interest of Americans, and the new periodical intends to work for better cooperation among them, to inform the community and outsiders of the work of the Chamber, and supply information to the world about conditions there.

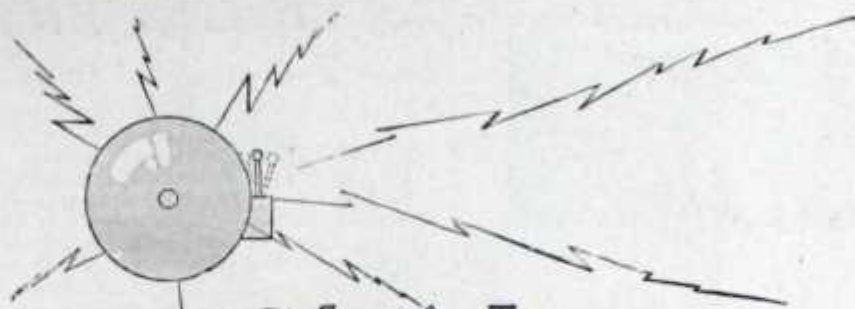
The cover design of this number shows an opulent coconut tree, in regard to which there is this interesting comment:

The native, in his nipa shack nestling in the shade furnished by a coconut grove on the shore of the ocean, is the most independent person in the world. When hungry he can eat coconuts. When thirsty, he has plenty of tuba at his disposal. His house is thatched with coconut leaves. His fish and rice is cooked over coconut shell fires and served in coconut shell dishes. His carabao is fed on copra meal. His wife uses coconut oil on her hair and she bathes the baby with a coconut bowl. When the banca leaks, it is calked with coconut shell scrapings. When the Filipino is in need of money for clothes, a few coconuts can be sold. This is the life!

Among the commercial coconut products are coconut oil, soap, pomade, toilet articles, vegetable butter, vinegar, dye, dessicated coconut and coir, which is made into mats, brushes, brooms, and rugs. Excellent pies, custards, ice cream and candies are also made from coconut.

London Chamber an Educator

THE London Chamber of Commerce gives prizes, scholarships, and medals annually in connection with commercial education examinations. The work has been going on now for about thirty-one years. In the first year they had only sixty-five candidates, of whom seventeen obtained certificates, and they had progressed to such an extent that in 1920 they had 11,142 candidates, of whom 5,899 (more than half of those who had entered) had passed their examinations. Thirty years ago they had only one examination center, but at the present time there are 315 centers throughout the British Empire.



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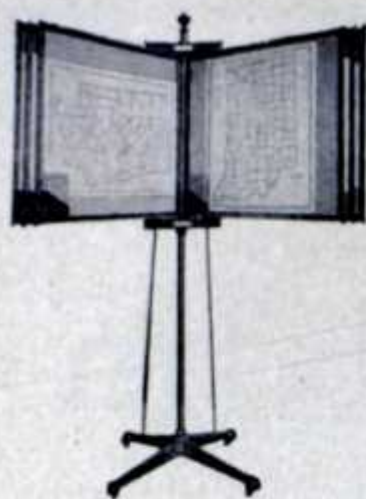
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A Dream That Came Too Soon

Such plans as that of Harriman for a transportation system to circle the earth are possible now by cooperation of business with government

EDITOR, THE NATION'S BUSINESS: "Trade's Common Denominator," in your August number, brought forcibly to my mind the unsuccessful efforts of the late E. H. Harriman to establish an around-the-world transportation system. When first I learned of that singular chain of events it seemed to me that Mr. Harriman, having been crowned railroad king of his own land, had been mocked by a ruthless and derisive fate when he ventured forth to conquer other traffic kingdoms; but as I read the article about the conference in London of the International Chamber of Commerce, and perceived how patiently racial and linguistic and traditional differences were smoothed out there I saw for the first time that Mr. Harriman had not been the victim of a Greek destiny so much as a courier far ahead of his times. If the International Chamber had been in existence in his day, what might not have been accomplished by his genius and vision in cooperation with the Chamber's equipment for harmonizing international distrust and misunderstanding!

It will not require a great deal of your space to repeat here the story of Mr. Harriman's aspiration and his failure, and it may be worth while if it illuminates the possibilities of the International Chamber as an agent of commercial progress in the hinterlands of the world, and as an agent, too, of peace. Economic friction in Africa, in Asia, in the Balkans, generates the sparks which set modern wars into flame, and at this moment the friction is most acute in the Far East.

It was after the Russo-Japanese War that Mr. Harriman, dreaming of a globe-girdling transportation system by land and sea, visited the Far East. He realized that his greatest difficulties lay in that quarter. He required for his scheme an ice-free port on the eastern fringe of Asia, but to get this he must deal with other nations. The Asian coast had been then, and is now, partitioned among various Powers as their spheres; and Manchuria, upon which Mr. Harriman had fixed his eyes, was a Japanese economic province.

With the help of Lloyd Griscom, then American minister to Japan, Mr. Harriman made an agreement with two high officials in Tokio that American and Japanese capital should cooperate in financing the Chinese Eastern (or South Manchuria) Railway to Port Arthur and Dalny (Dairen). Under the Portsmouth Treaty, which contained an emphatic affirmation of the open door principle, Japan had acquired this concession from defeated Russia, and it would have been in accord with the open door policy to admit another nationality into the enterprise.

Now, Count Komura, one of the most powerful and adroit of the Japanese diplomatists, looked with distrust and fear upon the attempted American invasion of Manchuria. His fear was military as well as economic. And he checkmated Mr. Harriman by negotiating with China an agreement by which the Chinese declared that if Japan required outside assistance in financing the Manchurian project, China should provide it, and none other. The Tokio agreement thus came to nothing.

But though Mr. Harriman's plan was blocked just as it seemed near success, he was not yet at an end of his resources. If the Japanese could not be enlisted in the project, perhaps the British might.

The State Department at Washington had been watching the Harriman maneuvers with interest and, one may suppose, with sympathy. The late Willard Straight was then our consul-general at Mukden, and through him a plan

was set afoot for the formation of a Manchurian bank, backed by American and British capital, to finance another railroad, this one to run from Chinchow to Aigun.

The panic of 1907 delayed the plan temporarily, but in the following year negotiations were resumed, and Mr. Straight came to Washington with a memorandum bearing on it. In November of that year Kuhn, Loeb & Company, Mr. Harriman's bankers, signified to the State Department their willingness to finance the project, and Tang Shao-yi, who represented the Chinese Government in the conferences, set out for Washington, ostensibly to extend his Government's thanks to the Roosevelt administration for the return of part of the Boxer indemnity.

You may see to what subterfuges the old diplomacy drove Mr. Harriman's associates, although Mr. Harriman had nothing to conceal, no ambition which he would not willingly have confided to the world so far as he was concerned. The game was being played in the only way possible to play it then. But this is a digression. Let us return to Tang Shao-yi and his supposed mission of diplomatic courtesy.

The Japanese were not for a moment deceived as to the real purpose of the Chinese emissary's visit, and they were extremely disquieted. But they were not to be outdone in diplomatic amenities. On the very day that Mr. Tang arrived in Washington notes were exchanged between the Japanese ambassador and our Department of State, in which both Governments affirmed their cordial determination "to support, by all pacific means at their disposal, the independence and integrity of China and the principle of equal opportunity." So far as words went, this gave the assurance of equal opportunity for America and Great Britain in Manchuria.

Mr. Tang's Scheme

MR. TANG, it should be said, had another scheme in mind, a plan for an international consortium to finance China, with the United States as a participant. But we may disregard that, since the Manchurian railroad project was the foremost in his thought. Senator Philander C. Knox, then Roosevelt's Secretary of State, issued his famous "neutralization" plan for Manchurian transportation, a plan to make the open door effective in that part of the world. Thus the negotiations, involved and labored as such activities always are under the furtive restrictions of the old diplomacy, went ahead smoothly.

And then fate, so it seemed, stepped into the scene. On November 14 the Emperor of China died, and on the following day the Empress died. Yuan Shi Kai, afterward to become President of the Republic, but then a high official under the Manchu regime, was deposed, and Mr. Tang, who had come to the United States at Yuan's direction, was abruptly recalled.

Defeated at Tokio and in Washington, Mr. Harriman now turned to St. Petersburg (Petrograd). The Tsar was supreme in Siberia, and there remained the possibility of obtaining a transportation right-of-way with his cooperation. Through a Paris banker, Mr. Harriman approached the Russian Minister of Finance, and obtained his promise of support. But here again his project was to be made the sport of international politics.

Let us pause for a moment to glance at the shifting balance of power maneuvered by shifty diplomatists in the Far East: Before the Russo-Japanese war, England and Ger-

many watched with suspicion both France and Russia, and Japan was at dagger's point with Russia in Korea. After Russia and Japan came to blows, England entered into her alliance with Japan, and France went into the Russian camp. Presently a treaty was arranged, however, between England and France, and another between France and Japan, leaving Russia rather out in the cold. It was so that matters stood when the Paris banker was talking with the Russian Minister of Finance.

International diplomacy no less than politics makes strange bedfellows; and the prospect of American and British transgression on the Manchurian "sphere of interest" was enough to bring Japan into amicable relations with her late enemy. While Mr. Harriman's emissary was dealing with the Russian Minister of Finance, a Japanese diplomat entered into a secret entente with the Russian Foreign Minister, whereby they agreed to make common ground of their former battlefields. In 1910, this agreement became an open alliance, offensive and defensive, for the protection of Japanese and Russian interests in Manchuria; but in the meantime, on September 9, 1909, Mr. Harriman had died, his greatest ambition thrice thwarted.

Thus there passed the chief incentive for a transportation scheme which would have been of incalculable benefit to world commerce and a factor for the unification of nations. There was further talk of the "neutralization" scheme, to be sure, and some further moves toward British-American cooperation in Manchuria, but Japan's truculent attitude toward them brought them to naught.

If He Had Lived

LET us suppose that Mr. Harriman, instead of being forced, no doubt reluctantly, to resort to the devious and underhand methods of the old diplomacy, had been able to lay his case, through the American representatives, before the International Chamber of Commerce in Paris. Here was an unobjectionable enterprise certain to bring profit to the pockets of all countries, could it be successfully negotiated. There need be no secret about it. The very fact that it was above-board would have allayed international suspicion. The sunlight of publicity would have dispelled distrust. And the various governments might with good grace have got heartily behind it, instead of meeting it with double-dealing and the arrangement of secret alliances. You remember that at the conference of the International Chamber of Commerce in London the British Chancellor of the Exchequer pledged his Government to do anything within its power which the Chamber might ask. That will become increasingly the attitude of governments as the Chamber grows in authority and influence.

Peace and progress must come through cooperative rather than competitive enterprise in backward countries. It must come through international use of export capital, as Will Irwin has expressed it in "The Next War." It must come through an open door principle. But at present the open door in China is a diplomatic fiction. All the Powers have given to it their robust vocal approval, and all of them ignore it. It is as much a polite lie as the assurances of distinguished consideration with which passports are handed to the expelled envoy of an enemy nation. Germany subscribed to it, but continued to hold Shantung until the prize was lost in war. Russia signed, but continued to hold Port Arthur until that was lost in war. Great Britain signed, but continued to hold, and continues to hold, Hongkong and Kowloon and Wei-hai-wei. France subscribed, but continues to hold Annam and Kwangchau. Japan signed, but retains Port Arthur and Shantung and Korea and the rest of her imperialist acquisitions on the Asian mainland. So much for the territorial aspect of the open door.

As to its commercial and financial aspects, they are as much a figment of the diplomatic



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imagination as the rest. But if these conflicting ambitions and privileges can be adjusted through some such agency as the International Chamber, the world may hope to find not only a solution of the whole Far Eastern problem without impairment of China's sovereignty and to her vast advantage, but the actual realization of the open door throughout the world, with equal opportunity to all in commercial and industrial development.

JOHN BURNHAM.

"The Next War"

Recent Business
Books Discussed

IN ITS moral aspect, as mass homicide, war is appalling, but in its economic aspect it is preposterous. One may turn from the ethical consideration of world conflict with a sigh, attributing it to original sin, or something of that sort; but when it touches the business man's pocketbook he may be expected to cast about for practical ways and means of putting a stop to it. The United States lost least among the combatants in property and men in the World War, and during the two and a half years of her neutrality had, indeed, profited; when she entered the war she held almost half the gold stock of the globe and had emerged from a prospective depression into an artificial prosperity. But all that prosperity and much more was poured into the jaws of the war-god. Our national debt was multiplied by twenty-four, and we learned for the first time what heavy taxation meant. We came as near as anyone to winning that war, and we are losers. Fifty years from now we will still be paying its debts.

Will Irwin tells all this in his appeal to common sense, "The Next War" (E. P. Dutton and Company, N. Y.). He has picked up that phrase as the propaganda slogan of militarists, munition workers and professional "patriots"; and around it he has drawn a picture of what the next war would cost the world in blood and treasure and tears. It is in his apposite and clear-headed discussion of the economic phases of the struggle that he speaks most urgently to the mass of mankind. He prints a photograph, for instance, of the broad and pleasant campus of the University of Michigan, with this caption:

These and other buildings, thirty-eight in all, represent an investment of \$8,000,000. The University has about 500 professors and instructors; 10,000 students; and graduates annually about 1,000 young men and women.

At present costs, two or three such universities, each a permanent institution, could be established for the amount that one ephemeral capital ship now costs.

The United States has begun the construction of sixteen such capital ships.

Mr. Irwin drives that effective comparison home in another instance, when he says that the military budget in France increased from fifteen to twenty per cent during each decade preceding the war, and that the indirect appropriations (as for strategic railways, and so on) grew even more rapidly, so that ten years before the conflict broke into flame she was spending more than two hundred million dollars a year on her army and navy. At the same time she was financing the campaigns of the two Napoleons to the tune of two hundred and fifty millions a year—nearly half a billion annually for wars past and future. And yet, for education—which, in France, is financed mostly by the national government—she was spending but forty-six millions.

American business men, who are coming more and more clearly to realize the industrial importance of education, will appreciate these figures, as applied to the United States. Ninety-three cents out of every dollar in taxes last year in this country went toward the expenses of wars past and prospective.

Special timeliness attaches to these facts in view of the disarmament conference summoned by President Harding. "Now is the appointed time to begin action," Mr. Irwin cries, "and we are the appointed people." The international conference comes almost as an answer. Actually and potentially the strongest nation in the world, the United States is, as Mr. Irwin says, the one to "consolidate what Armageddon won for peace." Toward this end disarmament is but a step, but it is a vital and immediate question. As Mr. Irwin says:

Behind the present agitation lies a compelling economic motive. Europe can not recover if she goes on with the old race for armaments. She will collapse under the double burden. The world is so interlocked that if Europe blows up in anarchy we, though we hold together, must suffer terribly. An agreement to limit armies and navies to the point where they can not be used aggressively can probably be enforced. We have no formal law between nations, it is true; but that uncharted moral opinion of democracies is perhaps powerful enough to secure a rough working agreement until we get something better. It can not be done without the consent—indeed without the leadership—of the United States. We have as much economic and industrial power to manufacture navies and munitions as any three European nations, more population to furnish soldiers than any two Western European nations. If we arm to the teeth, the rest must follow through fear.

Such partial disarmament will serve not only as temporary alleviation; it will be also in the nature of a remedy. Whatever movement sets the nations thinking positively about peace, whatever forces them into cooperation instead of competition, makes toward their final, complete understanding.

But Mr. Irwin does not argue that there should be complete disarmament. His is an appeal, as has been noted, to common sense. So he says:

Yet the fact remains: few Americans of spirit will want, in this era of the world, to strip us of all our defenses. That goes beyond the reasonable pacifism which has hitherto been the general American attitude toward war. It becomes the non-resistance of the dreamer, Tolstoi. Apart from its danger, completely laying down our own arms would be no good, except by example. We must reach further back than that into the structure of things; try, with all the others, to repair this world-machine. At present, it is like some great, complex engine which has broken a vital part. It tends to beat itself to pieces with its own power.

Mr. Irwin speculates, without exaggeration, on the possible armaments of the next war, which include germ bombs and gases so deadly that the imagination falters picturing them. But it is the economic aspect of war which we have set out to consider here. Mr. Irwin tells about a talk he had just before the World War with an expert on good roads:

We could, of course, pave every country road in the United States, and the economies it would introduce into transportation would make it a paying proposition in the end. But the initial cost and the upkeep—you can't possibly raise enough money. It would take, I estimate, 75 per cent of our Federal revenues.

(Continued on page 46)

A Cause of Power Losses —and a Proven Remedy

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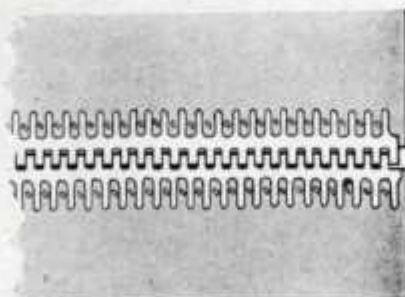
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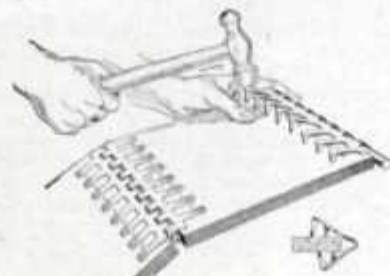
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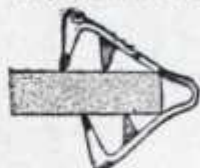
Nothing needed but a hammer to apply it—and you already have a hammer.

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Tariffs so drawn as not to work injustice to any given nation, international control of export capital, such as is proposed in the China Consortium, the elimination of "spheres" in backward countries, and an international agreement to use economic or armed force in punishing aggression and belligerency—whether the agency be called a League of Nations or an association or a Hague Tribunal "with teeth in it"—are among the steps toward peace. Mr. Irwin does not offer a plea for the Covenant, and he realizes the imperfections of the Versailles Treaty; but he presents cogently and succinctly the imperative necessity of averting "the next war" unless civilization is to go by the board.

Other Worthwhile Books

FEDERAL INCOME TAX PROCEDURE, 1921, by Robert H. Montgomery, the Ronald Press, New York.

IMMIGRATION AND THE FUTURE, by Francis Kellor, George H. Doran Company, New York; with a supplement, "The Federal Administration and the Alien," by the same author.

REVOLUTION AND DEMOCRACY, by Frederic C. Howe, B. W. Huebsch, Inc., New York; a discussion from the "radical" standpoint of monopoly of transportation, industry and credit, "sabotage by Big Business" and so on.

THE BUSINESS MAN AND HIS OVERFLOW, by William E. Sweet, the Association Press, New York, copyrighted by the Young Men's Christian Association.

FOUNDRY MOLDING MACHINES AND PATTERN EQUIPMENT, by Edwin S. Carman, Penton Library.

GOVERNMENTAL EXPENDITURES. A monograph by the late Dr. E. B. Rosa on "Expenditures and Revenues of the Federal Government," containing twenty-two figures and nineteen tables, has just been printed. It is a detailed analysis and discussion of Federal expenditures and revenues for the period 1910-1921, based on a functional classification of activities.

AIRCRAFT YEAR BOOK, 1921, Manufacturers' Aircraft Association, Inc., Small, Maynard and Co., New York.



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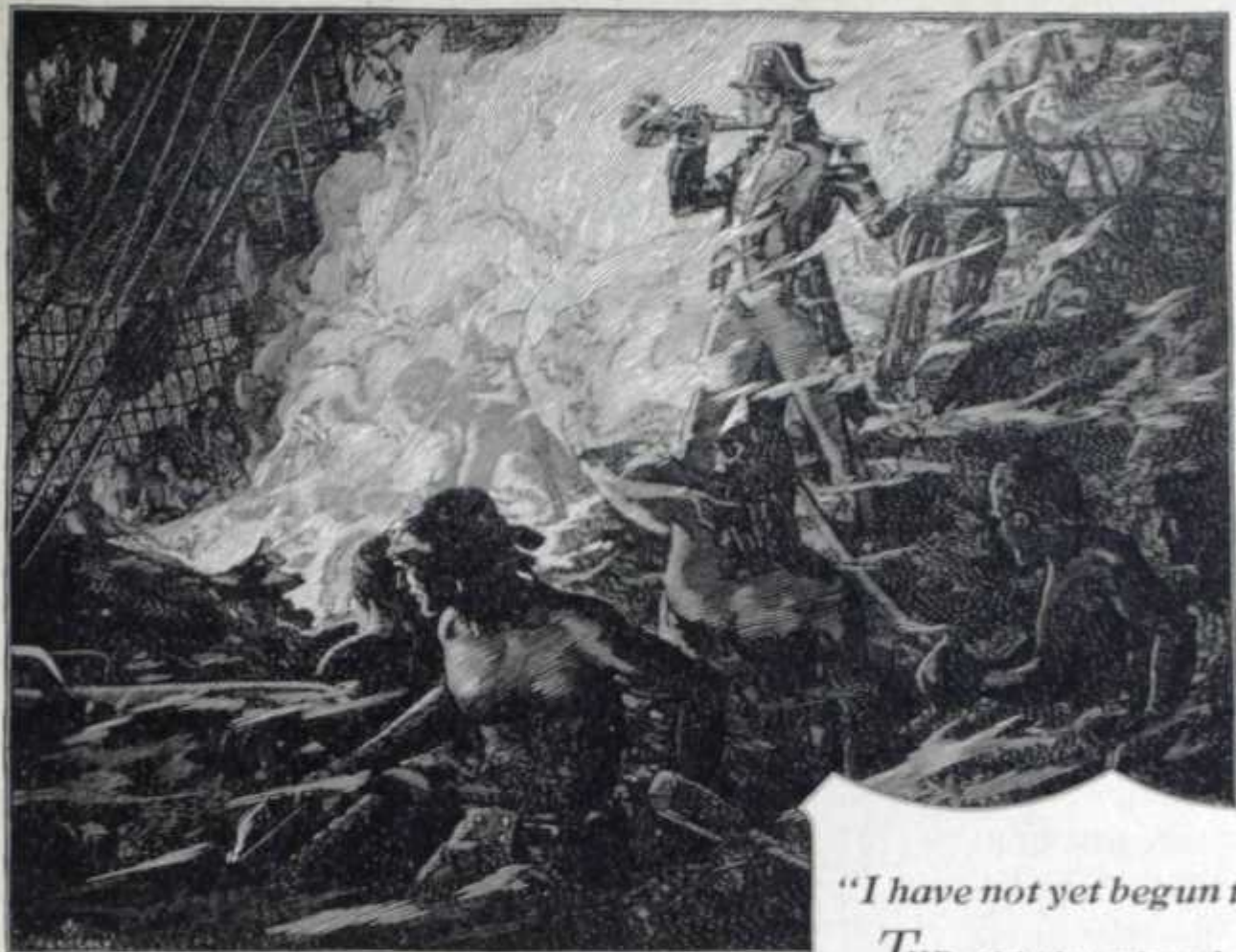
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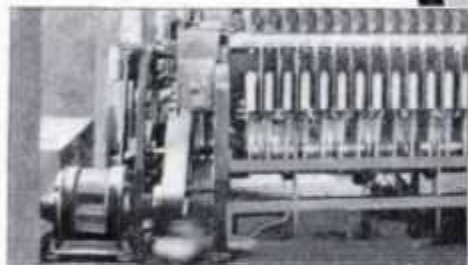
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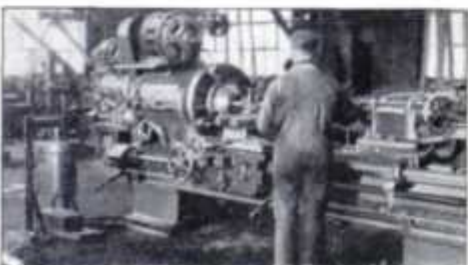
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